Emmi Investor Day

Viva l’Italia

Peter Irle
Managing Director
Emmi Dessert Italia

Lucerne, 7 November 2018
History

Emmi’s current footprint in Italy

Short-term priorities

The future of Emmi’s business in Italy
Country overview

Italy

- Strong economy (engineering, steel, fashion, food, tourism)
- High employee motivation and long working days

- High debt (130% of GDP)
- High unemployment rate
  - South
  - Youth

- After election, populist government
  - Extreme right (Lega – Salvini)
  - 5 Stelle (Di Maio)
Emmi Investor Day, Peter Irle, Managing Director Emmi Dessert Italia

Emmi has been investing into the dessert business for seven years

Before 2010

- Acquisition of Trentinalatte

2010

- Acquisition of A-27

2011

- Acquisition of Rachelli
- Mainly yogurt production and cheese exports

2013

- Sale of Trentinalatte
- New plant in Gattico

2014

- Acquisition of IFF

2017

- Sale of Venchiaredo
- Acquisition of Rancio

2018

- Closure of Venchiaredo
- Local dessert production, small cheese export business
Emmi in Italy…

- A complete portfolio shift from cheese and dairy to desserts
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The future of Emmi’s business in Italy
Emmi’s current footprint in Italy: concentration in Northern Italy

Three plants near Milan

- Gattico (NO)
- Lasnigo (CO)
- Pero (MI)
### Emmi’s current footprint in Italy: key data

#### Three dessert production sites and cheese exports out of Switzerland

<table>
<thead>
<tr>
<th></th>
<th>A-27</th>
<th>Rachelli</th>
<th>IFF</th>
<th>EITA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Production</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td>221</td>
<td>111</td>
<td>93</td>
<td>7</td>
</tr>
<tr>
<td><strong>Production 2017 (total)</strong></td>
<td>15.910</td>
<td>8.650</td>
<td>5.212</td>
<td>-</td>
</tr>
<tr>
<td><strong>Sales 2017 (EUR m)</strong></td>
<td>72</td>
<td>36</td>
<td>22</td>
<td>46</td>
</tr>
<tr>
<td><strong>Markets In % of total sales</strong></td>
<td>France (40 %)</td>
<td>Germany (30 %)</td>
<td>UK (40 %)</td>
<td>Italy</td>
</tr>
<tr>
<td></td>
<td>UK (18 %)</td>
<td>Italy (20 %)</td>
<td>USA, CAN (25 %)</td>
<td>Others 35 %</td>
</tr>
<tr>
<td></td>
<td>Italy (16 %)</td>
<td>Poland (12 %)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Spain (8 %)</td>
<td>Australia (6 %)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Others 18 %</td>
<td>Others 32 %</td>
<td></td>
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**Emmi Investor Day, Peter Irle, Managing Director Emmi Dessert Italia**
Emmi’s current footprint in Italy: product portfolio

Strong competency in Italian speciality desserts and leader in Swiss cheese imports

-A27 S.p.A.
-Gildo Rachelli
-Italian Fresh Foods
-Bonta Divina
-Demeter
-Tigre
Emmi in Italy…

- A complete portfolio shift from cheese and dairy to desserts
- The acquisition of IFF strengthens the position in interesting markets
History

Emmi’s current footprint in Italy

**Short-term priorities**

The future of Emmi’s business in Italy
Current situation: cheese

**Tough market, low potential**

- Emmentaler AOP as the main product
- Tough environment and price competition
- Decline in sales due to insufficient prices (generic market)

**Objective: decrease low margin business and reduce costs**
Current situation: desserts

Internal strengths and weaknesses

Cheese business
- Emmentaler AOP as the main product
- Tough environment and price competition
- Decline in sales due to insufficient prices

A-27
- Too busy with internal topics
- Insufficient innovative strength
- Lack of differentiation, tough competition

Rachelli
- Differentiated products
- Growth in new markets (e.g. Far East)
- Less impact from stiff competition, Brexit and raw material increase

IFF
- Highly differentiated products
- Growth in new markets (e.g. North America)
- Great innovative strength

For all: good cost management is a must!
### Situation in early 2018

<table>
<thead>
<tr>
<th></th>
<th>Market share</th>
<th>Momentum</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-27</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Rachelli</td>
<td>+</td>
<td></td>
<td>!</td>
</tr>
<tr>
<td>IFF</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td><strong>Total Emmi Dessert Italia</strong></td>
<td>+</td>
<td>![Warning]</td>
<td>![Warning]</td>
</tr>
</tbody>
</table>
Short-term priorities

Leverage the good position

- **Market share**
  - Good market position

- **Momentum**
  - Create sales synergies in desserts

- **Margin**
  - Operational excellence, purchasing, logistics
Leverage the good position

**Capabilities**

Project “ONE – Emmi Dessert Italia”

**Market share**

Good market position

**Momentum**

Create sales synergies in desserts

**Margin**

Operational excellence, purchasing, logistics
Capabilities: Project “ONE Emmi Dessert Italia”

The fitness programme: merge the three companies into one

- Leverage know-how
- Leverage innovative strength
- One sales force
- One administration
- New skills and capabilities
Momentum: strengthening of top range

Pushing premium products from Rachelli and IFF

Premium plus
Packaging, organic, free from, vegan

Exclusive labels
Premium / standard

Private labels
Premium / standard

Price (EUR/kg)

Approx. Index 200

YTD 2017 15.7%

Index 100

YTD 2018 20.5%
### Turnaround: measures tailored to A-27 with very pleasing results

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>Measures</th>
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<tbody>
<tr>
<td>Material / losses</td>
<td>117 %</td>
<td>110 %</td>
<td></td>
</tr>
<tr>
<td>(Basis recipe = 100 %)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses elaboration / pasteurisation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Losses washing / changes (Tetra)</td>
<td>133 kg</td>
<td>90 kg</td>
<td>New leaders Training</td>
</tr>
<tr>
<td>▪ Losses washing / changes (SPX)</td>
<td>172 kg</td>
<td>40 kg</td>
<td>Many small initiatives</td>
</tr>
<tr>
<td>Productivity filling / packaging</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Weight</td>
<td>2.5 %</td>
<td>0.5 %</td>
<td>Sensitisation Training</td>
</tr>
<tr>
<td>▪ Losses</td>
<td>1.8 %</td>
<td>0.4 %</td>
<td>Line 26 as a pilot, multiplying successes</td>
</tr>
<tr>
<td>▪ Second choice</td>
<td>&gt;2 %</td>
<td>0.5 %</td>
<td></td>
</tr>
<tr>
<td>▪ Stops</td>
<td>17.1 %</td>
<td>11.8 %</td>
<td></td>
</tr>
<tr>
<td>Total productivity (per working hour)</td>
<td>48.2 kg</td>
<td>58.7 kg</td>
<td>Enhanced production planning</td>
</tr>
</tbody>
</table>
Short-term priorities

Results in 2018 (estimate, including IFF acquisition)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net-Sales Dessert (2016 = 100)</th>
<th>EBIT Dessert (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>121</td>
<td></td>
</tr>
<tr>
<td>2018 (E)</td>
<td>133</td>
<td></td>
</tr>
</tbody>
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Emmi in Italy…

- A complete portfolio shift from cheese and dairy to desserts
- The acquisition of IFF strengthens the position in interesting markets
- Promising development in 2018 after a challenging 2017
History

Emmi’s current footprint in Italy

Short-term priorities

The future of Emmi’s business in Italy
The future of Emmi’s business in Italy

Vision:
The best dessert moments are Emmi moments

- Consumers: Dessert is the highlight of every lunch and dinner
- Customers: We are the first choice for Italian desserts
- Shareholder: We are world market leader in Italian desserts
- Employees: We are Emmi Dessert Italia
Five forces for Italian chilled desserts

**Suppliers**
- Impact of raw material

**Industry – competition**
- No. 1 in Italian chilled desserts
- 3 production plants
- Price competition from local competitors

**Retail / trade**
- Retail remains priority
- Discount growing
- New business models (foodservice, digital, etc.)
- Brexit, currencies

**Consumers**
- Italian heritage, leadership in Italy
- Trend for ready-to-eat
- Sugar debate
- Healthy – natural – vegan
- Sustainable packaging

**New entries**
- Low risk of entrance of big players

**Product substitution**
- Substitution by other ready-to-eat desserts

The future of Emmi’s business in Italy

Emmi Investor Day, Peter Irlé, Managing Director Emmi Dessert Italia
## The future of Emmi’s business in Italy

### What do we want to achieve

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<th>Market share</th>
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<th>Margin</th>
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</thead>
<tbody>
<tr>
<td>• World’s most competent one-stop shop for desserts</td>
<td>• Be the leader in the six biggest markets</td>
<td>• Be one of the growth drivers of the group</td>
<td>• Be the cost leader with specialized plants</td>
</tr>
</tbody>
</table>

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The future of Emmi’s business in Italy

How do we get there

Capabilities
- Upgrade capabilities
- Change the cultural mindset

Market share
- Product portfolio: Follow consumer trends -> innovations

Momentum
- From product seller to solution provider (category captain)

Margin
- Drive efficiencies across the asset base
Relevant consumer and food trends

1. Food is the new music
2. Coffee is sexy
3. Full transparency
4. Demanding consumers
5. The schizophrenic consumer
6. Digital disruption
7. Political polarisation (Trump, GDPR, Brexit)
8. Casual food
9. Demonisation of sugar
10. Pressure on milk
Responding to consumer and food trends

Flagship products in our future

1. Food is the new music
   Small portions – superfresco

5. The schizophrenic consumer
   Organic – gluten free

9. Demonisation of sugar
   UK (from red to yellow)

10. Pressure on milk
    Vegan
Learn from IFF: the right products in the right country (example: USA)

**IFF US business**

From EUR 0 to 13 million sales within 3 years

- Until 2017: mainly tiramisu
- 2018: launch of mini desserts
Continuous innovation

- **Jewels**: Rachelli brand
- **Premium plus**: Packaging, organic, free from, vegan
- **Exclusive labels**: Premium / standard
- **Private labels**: Premium / standard

**Mid-term objective**

- FC 2018: 21%
- >30%

**Sustainability**

- Environmentally friendly packaging

**Clean recipes**

- Without alcohol, natural ingredients
Growth potential

Net sales desserts

Growth areas:

Products
- Premium plus (packaging, recipe, Rachelli brand)

Markets
- Strong growth outside Europe
  - USA
  - Latam
  - Far East
- Moderate growth in Europe
The long-term future of Emmi’s business in Italy

Strategic questions for expanding our leading position

Manufacturing footprint (Europe and beyond)?

Food service?

Geographical expansion?

Further acquisitions?
Emmi in Italy…

- A complete portfolio shift from cheese and dairy to desserts
- The acquisition of IFF strengthens the position in interesting markets
- Promising development in 2018 after a challenging 2017
- Many opportunities for a promising future
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Grazie