



Emmi Investor Day

Ten years later

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Lucerne, 7 November 2018



Challenges in today's economy

Proof points of Emmi's development

Current set-up of Emmi

Success factors going forward

Switzerland

- 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 (Dientigtal)

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

Egypt

EU: open market for cheese

CH: duty-free quota for 200 tons of cheese

South Korea

EU: open market for cheese

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

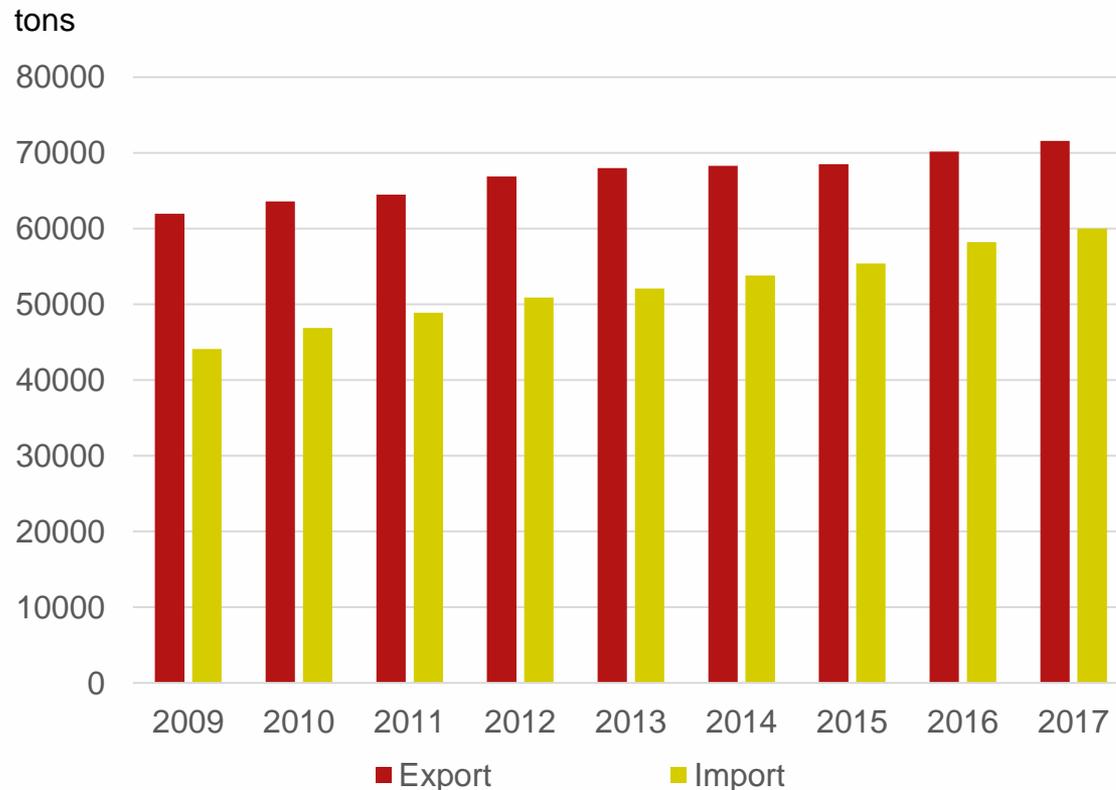
Japan

EU: duty-free market access for cheese from 2019

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

“ 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

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

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

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.



Challenges in today's economy

Proof points of Emmi's development

The current set-up

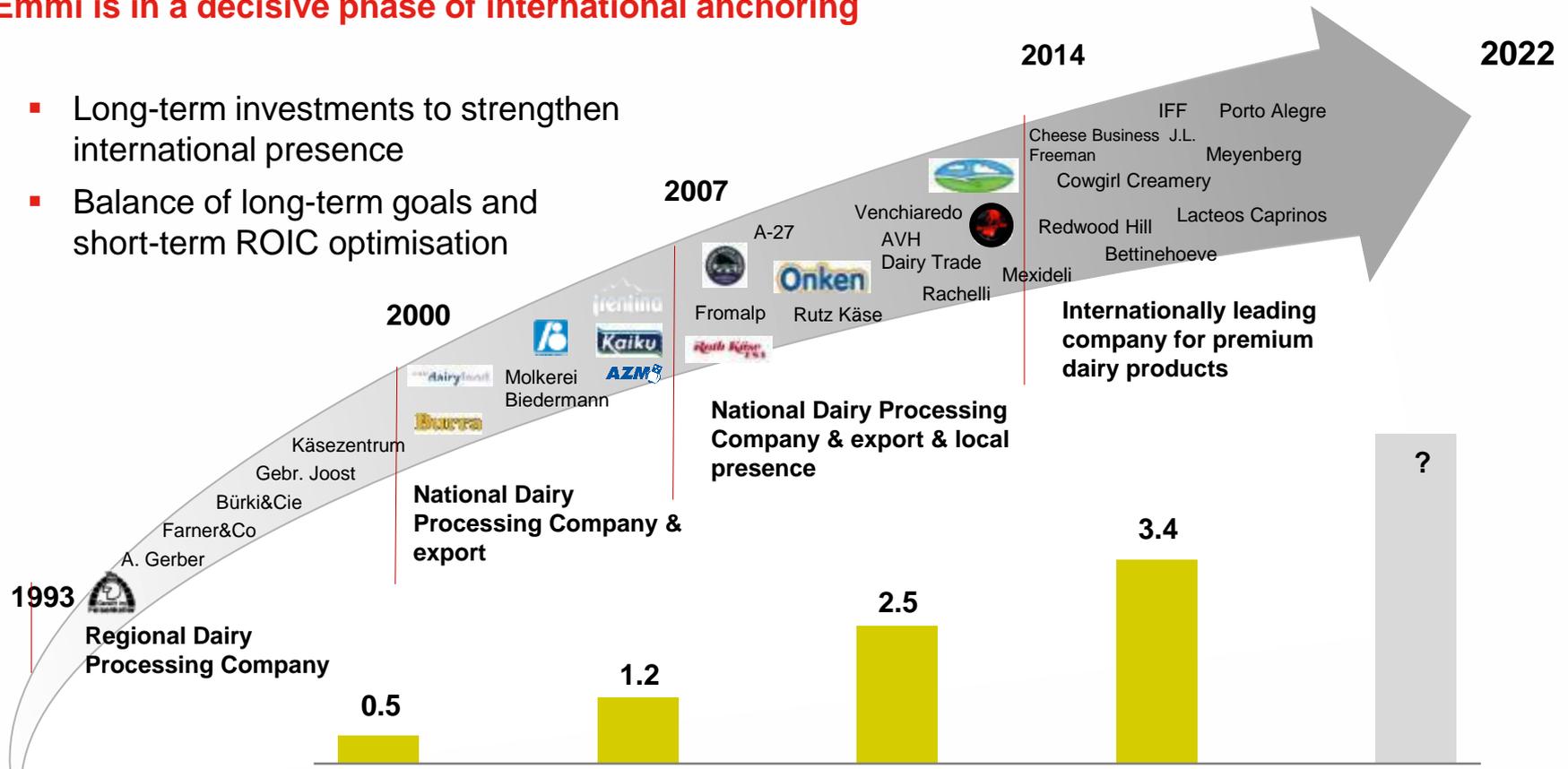
Success factors going forward

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



Emmi is in a decisive phase of international anchoring

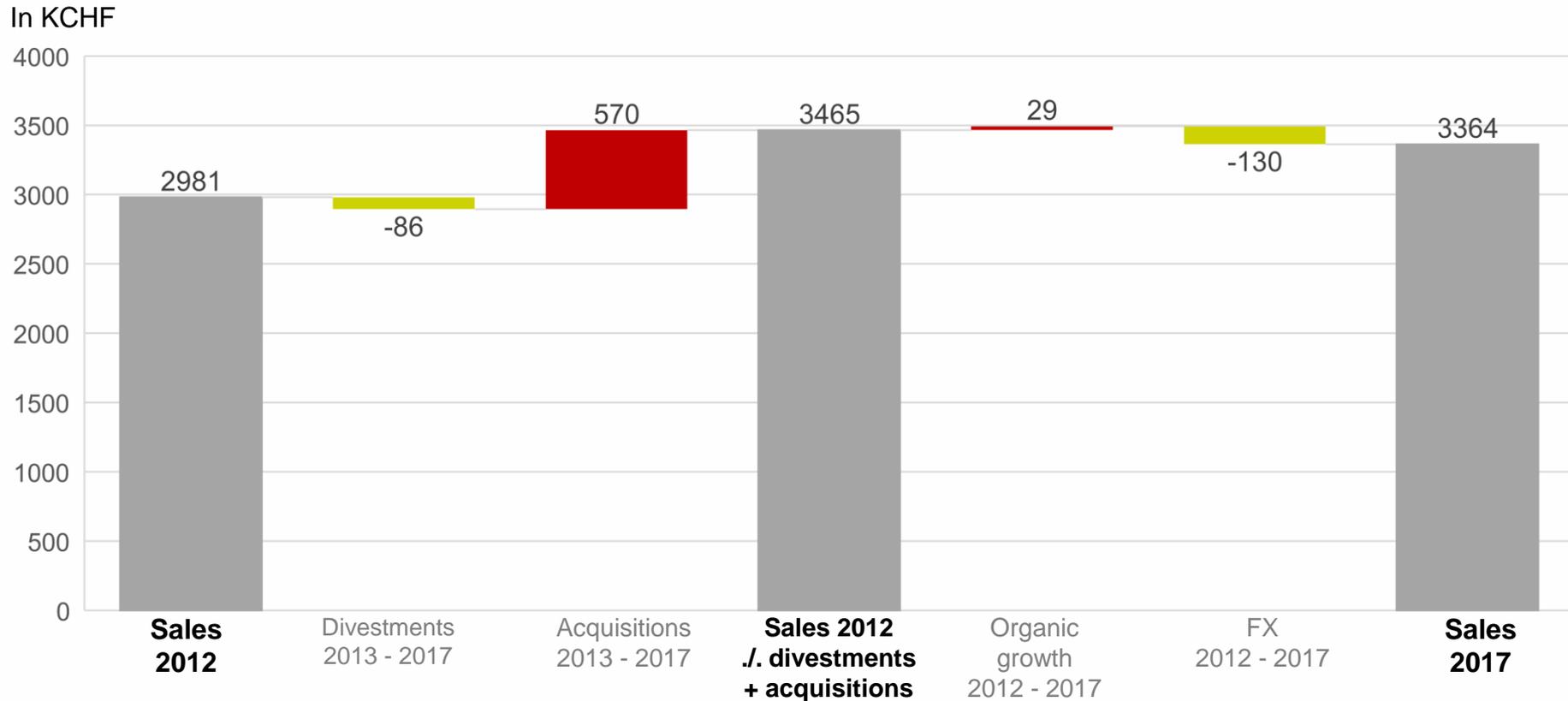
- Long-term investments to strengthen international presence
- Balance of long-term goals and short-term ROIC optimisation





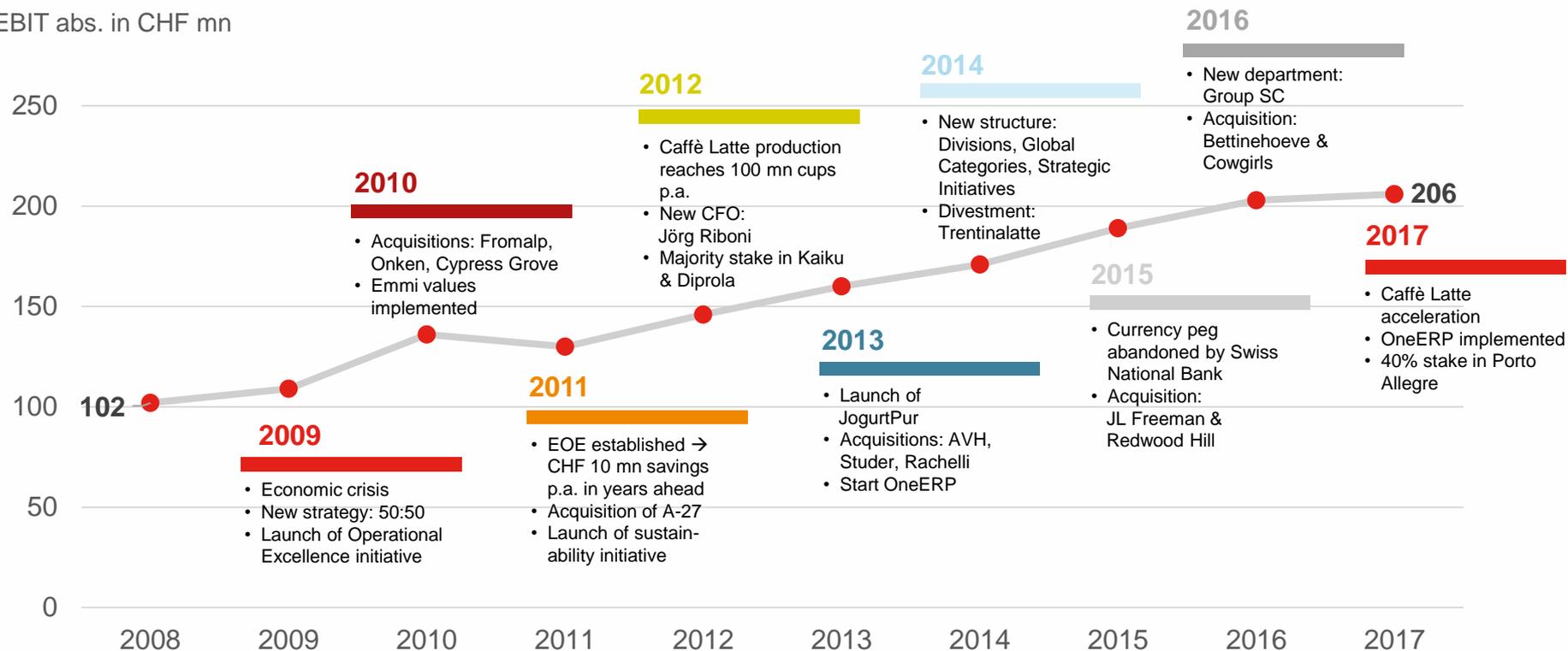
	2008	2017
Sales	CHF 2.7 bn	CHF 3.4 bn
EBIT ratio	3.8%	6.1%
No. of employees	3400	6100
Share of international business	23%	49%
International presence (countries)	11	15
Perception	Swiss	International
Scope	Switzerland+	International

The development is not linear



EBIT development affected by specific events

EBIT abs. in CHF mn





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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

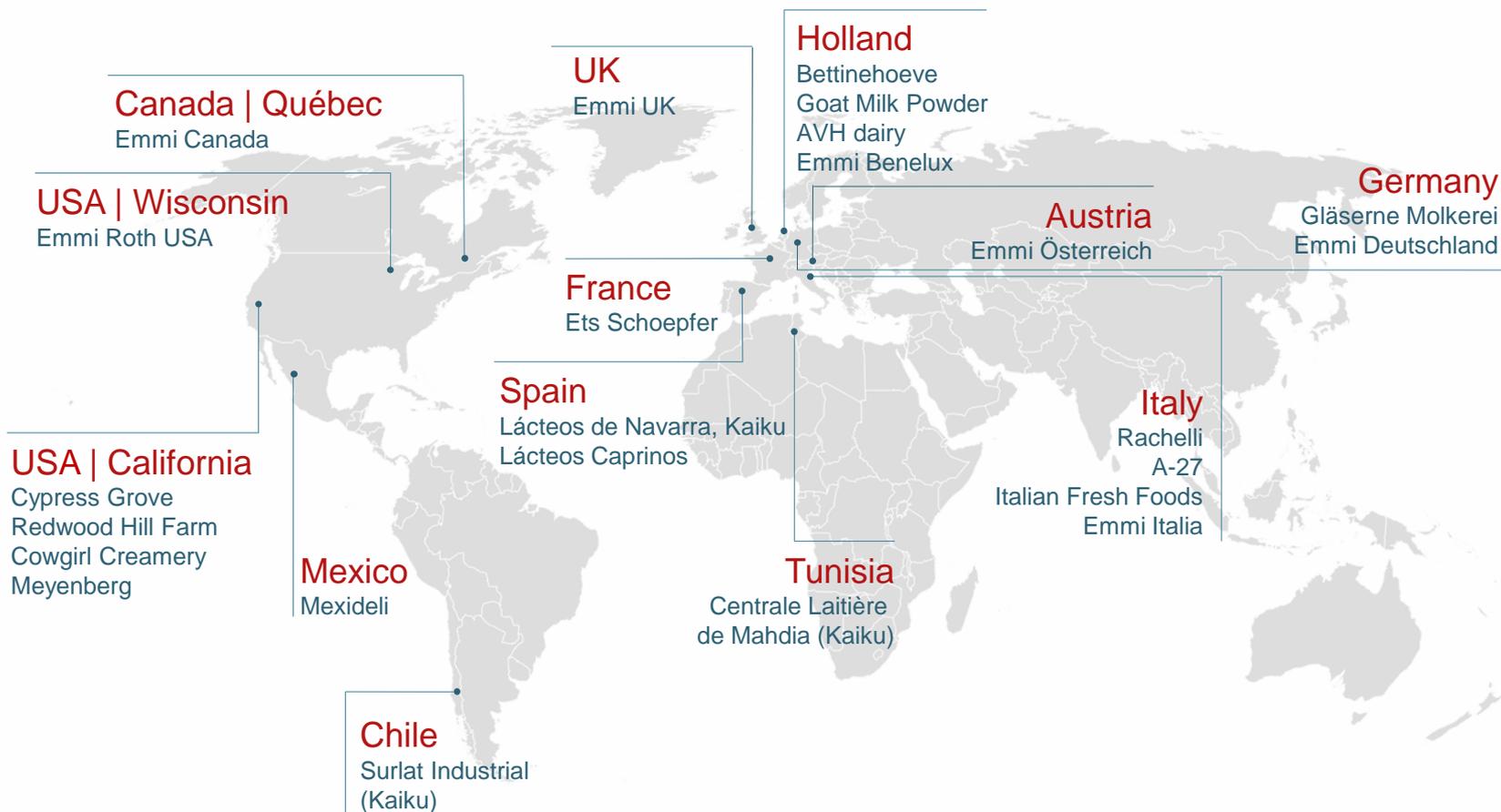
Mozzarella,
milk powder

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



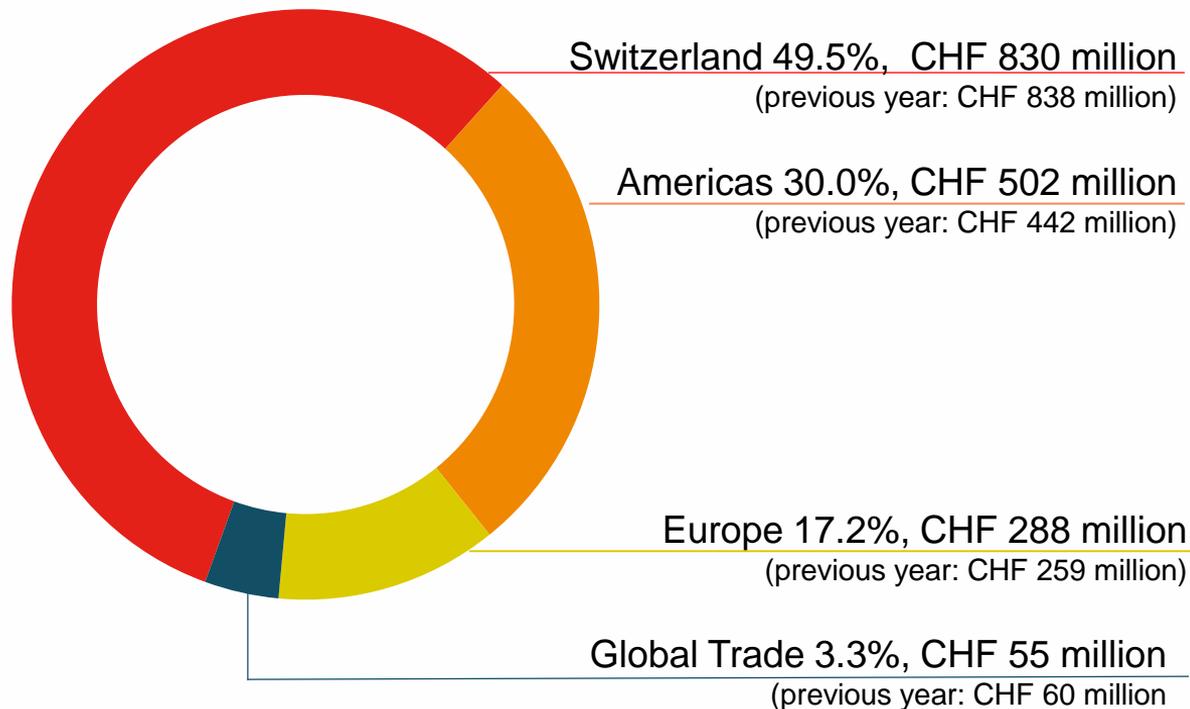
nationalities

20



acquisitions within 10 years

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



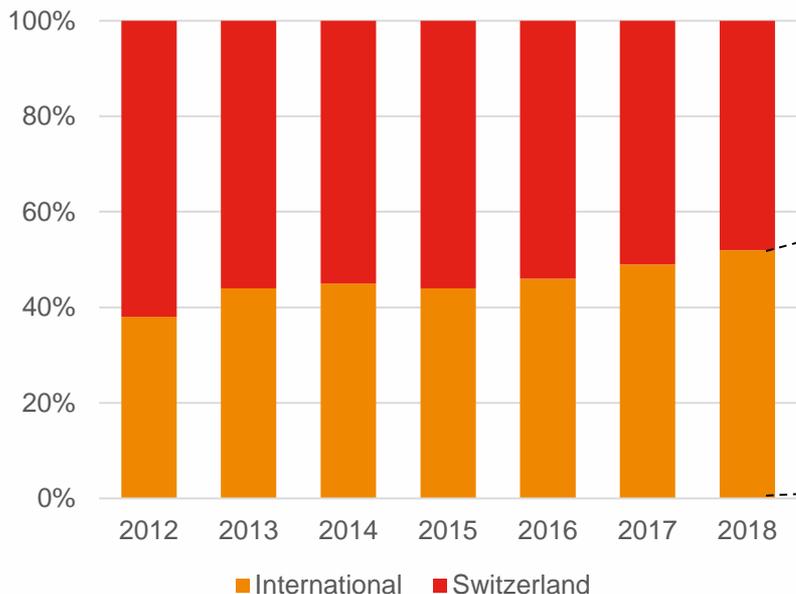
Top 5, sales:

-  Switzerland
-  USA
-  Spain
-  Germany
-  Tunisia

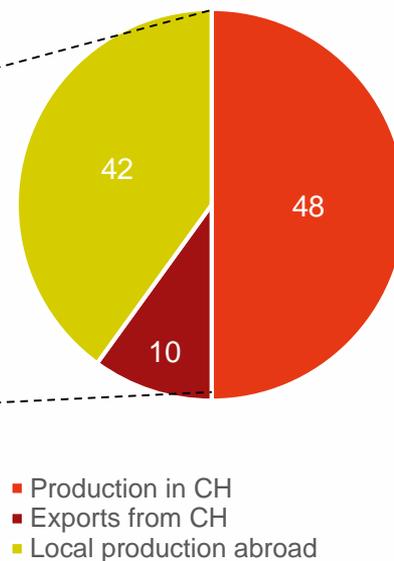
Group net sales in first half of 2018:
CHF 1,675 million

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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Success factors going forward

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?

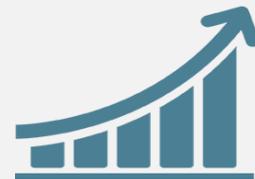
Market relevance



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

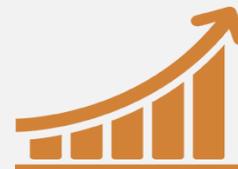
Market relevance



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

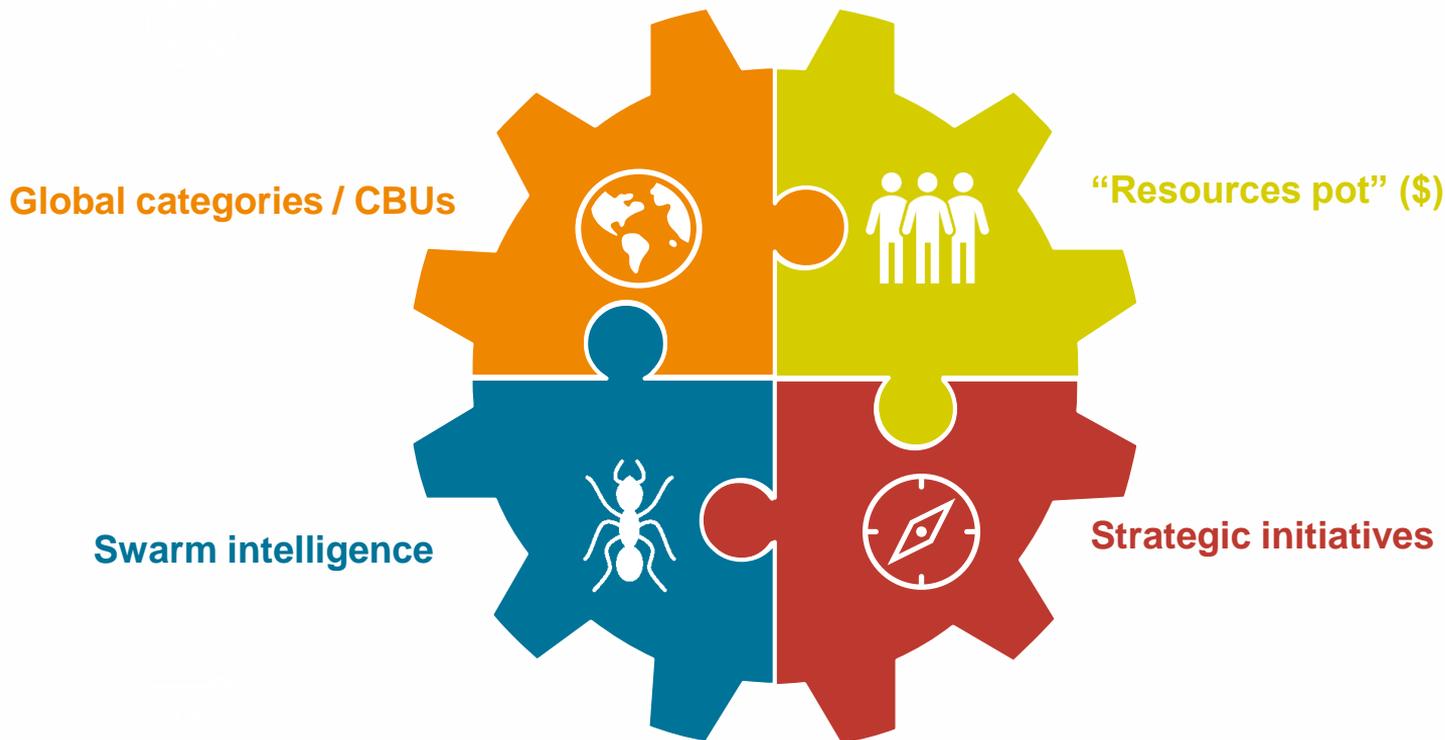
Momentum (growth)



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

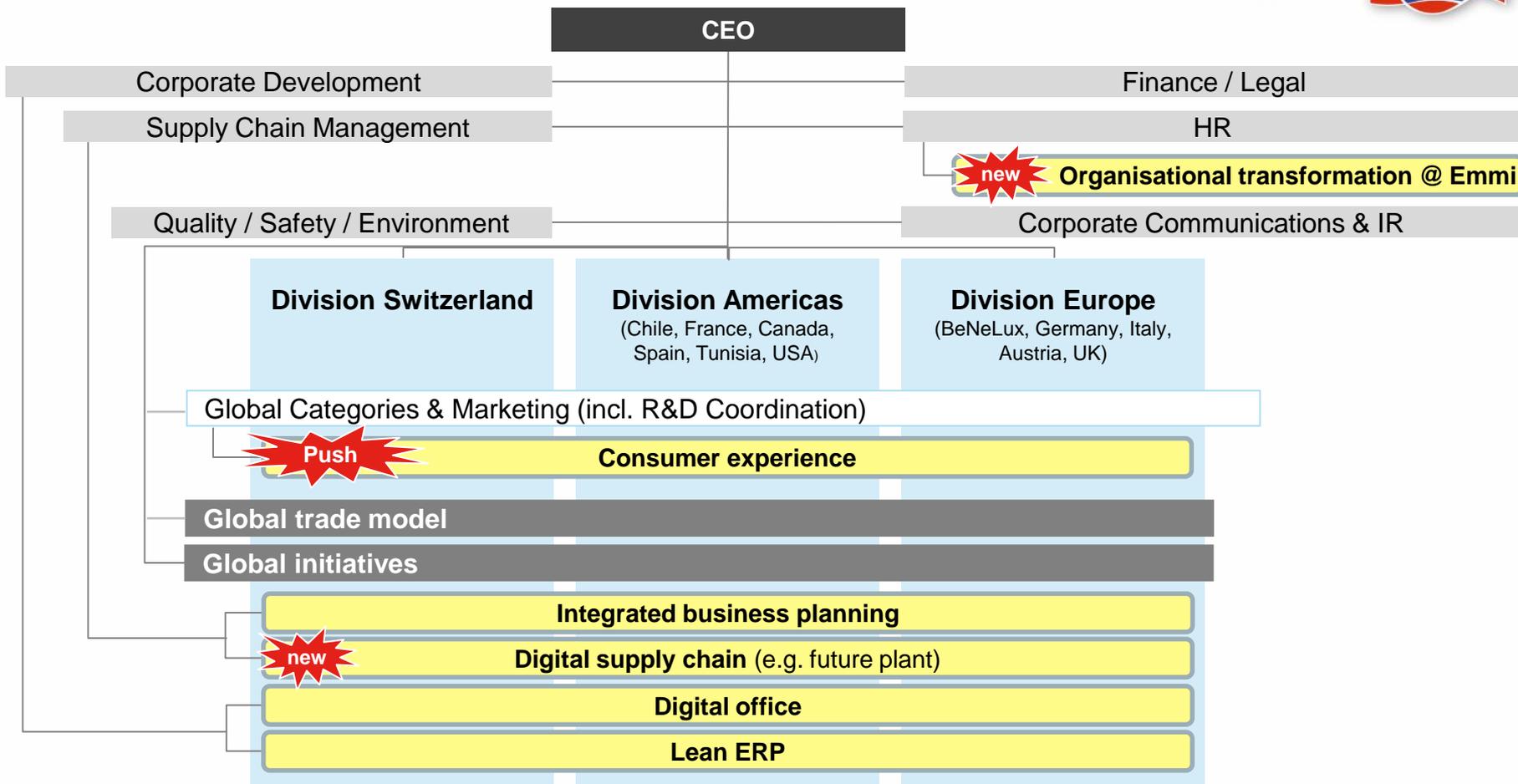
The Group as a “strategic guide”



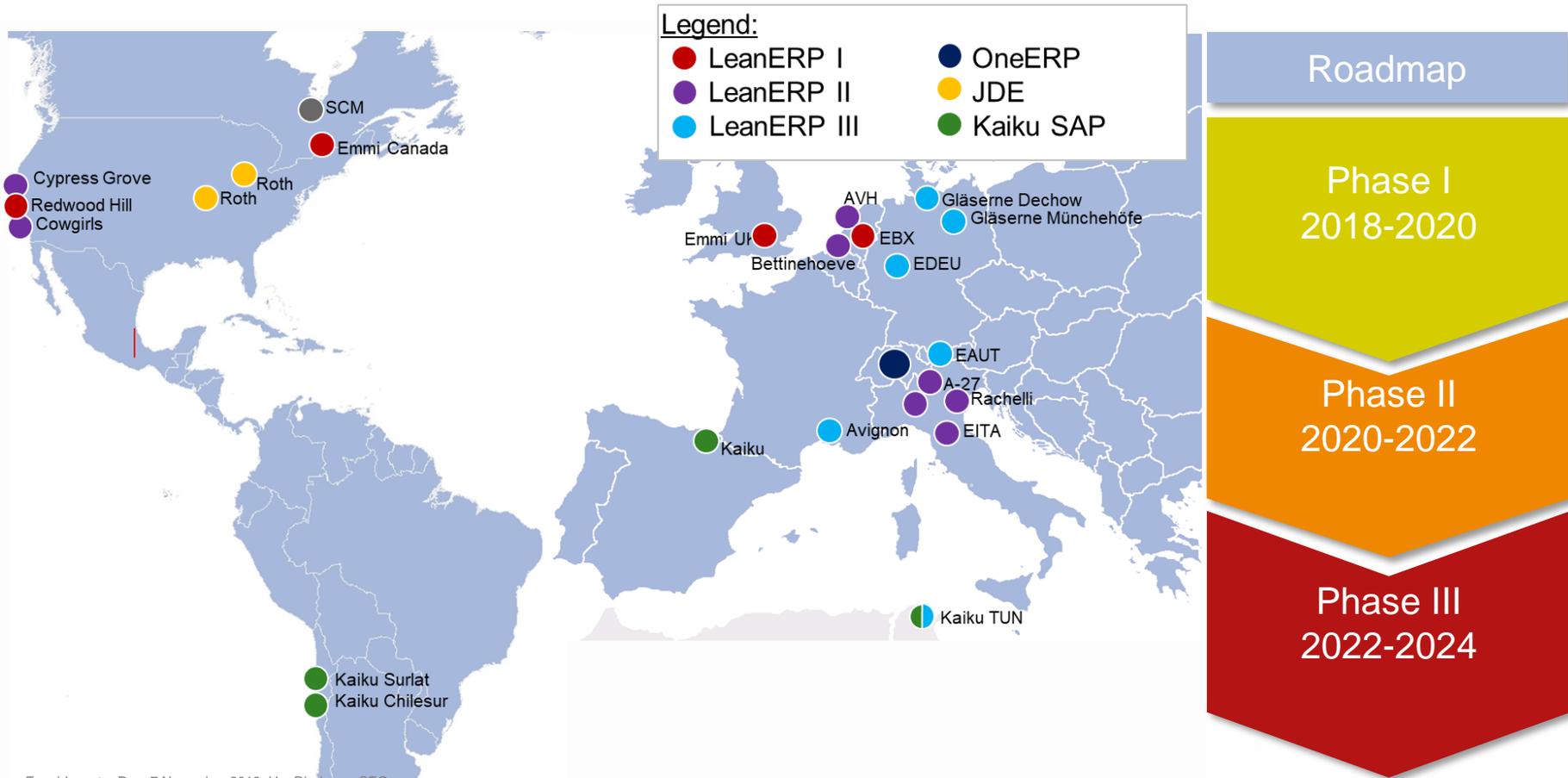
Strategic initiatives & programmes



"7S dimensions" (core variables)		2017	2018	2019	2020	2021
Strategic initiatives/projects	Strategy & Structure	"Seed to grow"		Organic growth		
	System & Process	Digitisation	Consumer experience	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

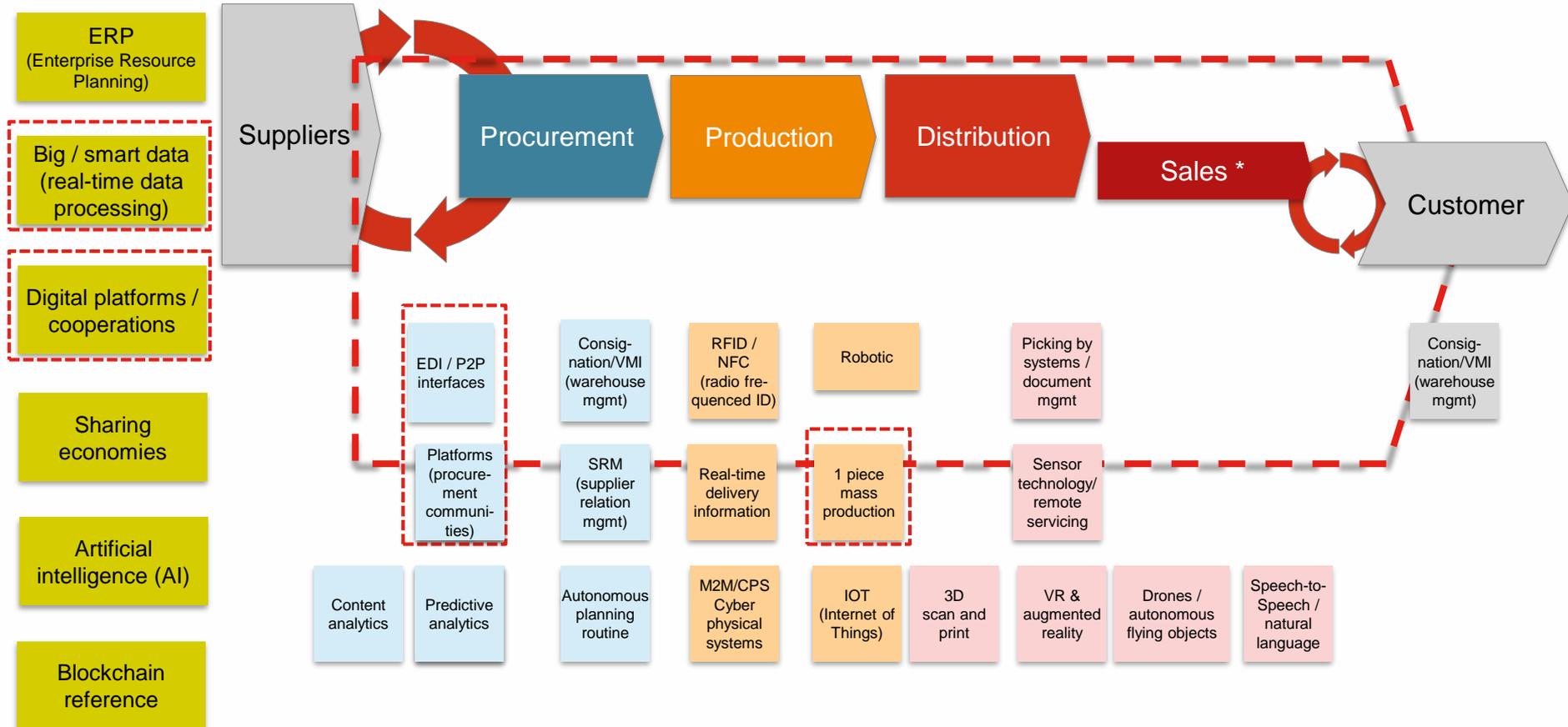
Organisational transformation @ Emmi

Values / Culture / Mindset

Understanding of technologies

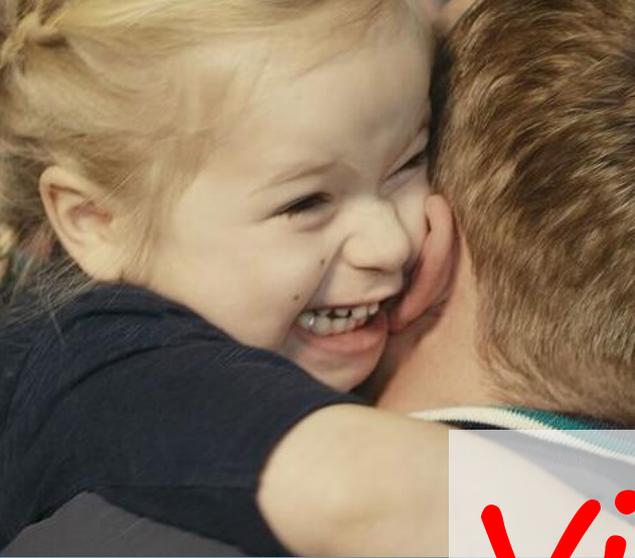
Skills & capabilities

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

