Emmi half-year results 2020

26 AUGUST 2020
Disclaimer

This presentation contains forward-looking statements that reflect management’s current views and estimates. The latter involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements.

Potential risks and uncertainties include such factors as general economic conditions, foreign exchange and commodity price fluctuations, competitive product and pricing pressures and regulatory developments.

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Agenda

1. Delivering on our strategy
   Urs Riedener, CEO

2. Half-year performance 2020
   Ricarda Demarmels, CFO

3. Outlook
   Urs Riedener, CEO

4. Q&A
   Urs Riedener, CEO   Ricarda Demarmels, CFO
WELCOME

“I am proud and grateful that based on our robust portfolio, our strong brands, our agile organisation and not least the immense dedication of our teams, Emmi was able to maintain supply throughout this challenging first half of the year and deliver growth even in difficult economic circumstances.”

Urs Riedener,
CEO Emmi
DELIVERING ON OUR STRATEGY

Resilient and robust performance

Resilient business model

- Health of employees and business protected
- Category, portfolio and channel mix resist COVID-19 stress test
- Agile organisation; strong leadership and culture

Robust performance

- Strong organic sales growth of 2.0 % led by Switzerland
- Strong EBIT of CHF 112.0 million (+6.4 %); stable EBIT margin of 6.3 %
- Domestic market, Emmi Caffè Latte and “organic” strategic niche as growth drivers

Strategy delivers

- Strategic growth path confirmed
- 87 % of milk processed in Switzerland sustainably sourced (Swissmilk Green standard)
- Cautiously optimistic outlook for 2HY20
DELIVERING ON OUR STRATEGY

Strong organic sales growth of 2.0 %

CHF 1,774 m
Net sales
Total growth: +6.6 %
Organic growth: +2.0 %
Acquisitory growth: +9.5 %

CHF 112.0 m
EBIT
Increase: +6.4 %
EBIT margin: 6.3 %
(1HY19 restated: 6.3 %)

Financial strength
0.3x net debt/EBITDA
30 June 2019: 0.3x

CHF 81.3 m
Net profit
Decrease: -6.5 %
Net profit margin: 4.6 %
(1HY19 restated: 5.2 %)

DELIVERING ON OUR STRATEGY
DELIVERING ON OUR STRATEGY: COVID-19 IMPACT

Significant COVID-19 impact (1/2)

- Good start to 2020; continued strong topline trend
- Sales spike in March (+10.5 %) driven mainly by pantry loading
- Sales declines in April (-7.5 %) and May (-5.3 %) due mainly to international business divisions with significant food service exposure
- Strong organic growth in June due to additional sales days and continued recovery of international business divisions

Emmi Group*

* monthly Group net sales 1HY20 (organic growth rates in %)
**DELIVERING ON OUR STRATEGY: COVID-19 IMPACT**

### Significant COVID-19 impact (2/2)

#### Switzerland*

<table>
<thead>
<tr>
<th></th>
<th>Feb YTD</th>
<th>Mar MTD</th>
<th>Apr MTD</th>
<th>May MTD</th>
<th>Jun MTD</th>
<th>Jun YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organic Growth Rates (%)</strong></td>
<td>+0.8%</td>
<td>+12.5%</td>
<td>+1.7%</td>
<td>-0.7%</td>
<td>+7.9%</td>
<td>+3.8%</td>
</tr>
</tbody>
</table>

#### Americas*

<table>
<thead>
<tr>
<th></th>
<th>Feb YTD</th>
<th>Mar MTD</th>
<th>Apr MTD</th>
<th>May MTD</th>
<th>Jun MTD</th>
<th>Jun YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organic Growth Rates (%)</strong></td>
<td>+6.0%</td>
<td>+7.0%</td>
<td>-18.0%</td>
<td>-12.5%</td>
<td>+9.5%</td>
<td>-1.0%</td>
</tr>
</tbody>
</table>

#### Europe*

<table>
<thead>
<tr>
<th></th>
<th>Feb YTD</th>
<th>Mar MTD</th>
<th>Apr MTD</th>
<th>May MTD</th>
<th>Jun MTD</th>
<th>Jun YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organic Growth Rates (%)</strong></td>
<td>+3.9%</td>
<td>+13.1%</td>
<td>-11.0%</td>
<td>-6.8%</td>
<td>+12.4%</td>
<td>+2.1%</td>
</tr>
</tbody>
</table>

* *monthly business division net sales 1HY20 (organic growth rates in %)*

Half-year results 2020 – 26 August 2020
DELIVERING ON OUR STRATEGY: COVID-19 IMPACT

The “new normal”

Effective crisis management
Protecting our people AND our business

- **Care**: protect the health of our employees
- **Continuity**: maintain operations and supply
- **Cash**: ensure liquidity and a strong balance sheet

Seize **Opportunities** based on shifting insights and consumption patterns
Developing solutions to address changing needs

- **New usage**
  - Emmi Caffè Latte

- **New channels**
  - Emmi Roth, USA

- **New formats**
  - Onken UK

Half-year results 2020 – 26 August 2020
DELIVERING ON OUR STRATEGY

Highlights

- IV Award for inclusive employment and integration of disabled people (JAN)
- Extension of Kaltbach range to include third iconic “artisanal cheese” (FEB)
- Launch of beleaf brand in Switzerland and the UK in June (MAR)
- Emmi Dessert Italia relaunches core range in glass cups for special occasions (APR)
- Extension and co-branding of protein range (MAY)
- First Emmi Sustainability Day engaging staff across and beyond Group (JUN)

Half-year results 2020 – 26 August 2020
Continued focus on our strategy

STRATEGIC PILLARS

Strong domestic market
International growth
Cost management

NICHES

Dessert
Goat
Organic
SALES BY BUSINESS DIVISION

Net sales by business division

Top five:
- Switzerland
- USA
- Germany
- Spain
- Chile

Switzerland 46.7 %
CHF 828.8 million
(1HY19: CHF 810.5 million)

Americas 33.8 %
CHF 598.6 million
(1HY19: CHF 518.4 million)

Global Trade 3.1 %
CHF 54.2 million
(1HY19: CHF 54.5 million)

Europe 16.4 %
CHF 291.9 million
(1HY19: CHF 279.9 million)
Net sales by business division

**Switzerland**
Net sales CHF 828.8 million
organic +3.8 %, food service -24 % (FS share 14 % in 1HY19)

**Americas**
Net sales CHF 598.6 million
organic -1.0 %, food service -37 % (FS share 22 % in 1HY19)

**Europe**
Net sales CHF 291.9 million
organic +2.1 %, food service -26 % (FS share 5 % in 1HY19)

**Global Trade**
Net sales CHF 54.2 million
organic +2.1 %
Net sales by product group

**Dairy products 32.1 %**
- CHF 569.2 million
  - (1HY19: CHF 521.9 million)

**Cheese 28.8 %**
- CHF 510.5 million
  - (1HY19: CHF 488.5 million)

**Fresh products 24.1 %**
- CHF 427.7 million
  - (1HY19: CHF 416.9 million)

**Fresh cheese 5.9 %**
- CHF 105.2 million
  - (1HY19: CHF 86.3 million)

**Other products/services 4.6 %**
- CHF 82.1 million
  - (1HY19: CHF 87.1 million)

**Powder/concentrates 4.5 %**
- CHF 78.8 million
  - (1HY19: CHF 62.6 million)
Strong organic growth in Switzerland thanks to a strong retail business

- Continued growth of Emmi Caffè Latte, mainly in Switzerland, the UK and Spain
- “Organic” strategic niche as growth driver across business divisions
- Food service (approx. 15% of Group sales as of HY19) at -31%
Crisis boosted retail sales

Dairy products
Sales CHF 343.1 million, +2.3 % (org. +3.1 %)
- Higher sales volumes of milk and butter
- Increased demand from retail market as a result of temporary border closures and increased at-home consumption
- Higher milk prices from 1 October 2019

Cheese
Sales CHF 199.7 million, +3.0 % (org. +4.6 %)
- Pleasing development of AOP cheeses as well as brand concepts such as Kaltbach, Luzerner Rahmkäse, der Scharfe Maxx, Le Petit Chevrier and Gerber
- Increased demand from retail market as a result of temporary border closures and increased at-home consumption

Fresh products
Sales CHF 172.0 million, +3.0 % (org. +3.7 %)
- Growth drivers Emmi Caffé Latte and Emmi Energy Milk
- Increased demand for yogurts, mainly private label
- Increased demand from retail market as a result of temporary border closures and increased at-home consumption
SALES DEVELOPMENT BUSINESS DIVISION AMERICAS

Food service hit by COVID-19

Business division Americas net sales in CHF million

<table>
<thead>
<tr>
<th></th>
<th>1HY19</th>
<th>Total change</th>
<th>Acquisition effect</th>
<th>Currency effect</th>
<th>Organic change</th>
<th>1HY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheese</td>
<td>518.4</td>
<td>+15.5%</td>
<td>+28.7%</td>
<td>-12.2%</td>
<td>-1.0%</td>
<td>598.6</td>
</tr>
<tr>
<td>Dairy products</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>250</td>
</tr>
<tr>
<td>Fresh products</td>
<td>250</td>
<td>-4.5%</td>
<td></td>
<td></td>
<td></td>
<td>300</td>
</tr>
</tbody>
</table>

Cheese
Sales CHF 235.1 million, +8.2 % (org. -4.1 %)
- Sales decline for locally produced cow’s milk cheese in the USA and imported cheese in France and Mexico
- Positive development of imported cheeses (including Kaltbach) in the USA

Dairy products
Sales CHF 175.0 million, +26.9 % (org. +7.3 %)
- Pleasing organic growth in Chile (milk and cream) and Tunisia (milk and butter)

Fresh products
Sales CHF 96.6 million, -4.5 % (org. -4.0 %)
- Decline for Italian dessert specialities in France, yogurt and milk drinks in California at Redwood Hill, milk drinks and yogurt drinks in Spain, Tunisia and Chile
- Positive development of Emmi Caffè Latte in Spain and locally produced desserts in Tunisia
Diversified portfolio pays off

Business division Europe net sales in CHF million

**Fresh products**
Sales CHF 140.2 million, +8.6 % (org. -0.1 %)
- Negative development as a result of the decline in the convenience market in the Netherlands, Germany and Italy
- Pleasing growth of Emmi Caffè Latte and Onken in the UK

**Cheese**
Sales CHF 54.2 million, -0.8 % (org. +2.5 %)
- Positive development of cheeses from Switzerland in the Netherlands and Italy
- Overall pleasing sales growth of Kaltbach

**Dairy products**
Sales CHF 49.6 million, +6.2 % (org. +7.6 %)
- Strong organic growth at Gläserne Molkerei in Germany due to increased demand for organic dairy products
Sharpening our portfolio
SHARPENING OUR PORTFOLIO

Delivering superior growth

Ongoing strategic portfolio review and integration

**ACQUISITIONS**
- Factory in Seymour (USA)
  Closing 28/2/2019
- Leeb & Hale (AUT)
  Closing 8/10/2019
- Laticínios Porto Alegre (BRA)
  Closing 24/10/2019
- Pasticceria Quadrifoglio (ITA)
  Closing 31/10/2019
- Surlat and Quillayes (CHL)
  Closing 15/1/2020

**DIVESTMENTS**
- Emmi Frische Service AG (CH)
  Closing 3/4/2019

**ACQUISITIONS**
- Chäs Hütte Zollikon GmbH (CH)
  Closing 29/7/2020

**DIVESTMENTS**
- White Hill Cheese Co. (USA)
  Minority stake – Closing 3/8/2020
- Vermo Tiefkühl Pool AG
  Minority stake – Closing 19/8/2020
HALF-YEAR RESULTS 2020

Sustainability
Reducing greenhouse gases
We are committed to reducing our global CO₂ emissions by 25 % by 2020.

Sustainable milk
By 2020, all suppliers of Swiss cow's milk will meet a catalogue of sustainability criteria.

Waste reduction
By 2020, we will reduce food and packaging waste by 20 % worldwide.

Employee development
By 2020, all employees will be integrated in our development planning.
Capture the sun

New photovoltaic installation at Studer, Switzerland.
New cooling installation and heat recovery in Kirchberg, Switzerland achieving $\geq 50\%$ oil consumption reduction.

Driving systemic change

Collaboration and pilots with key milk suppliers, farmers and other partners to reduce greenhouse gas emissions in milk production.

Trust your senses

Fighting food waste – “TooGoodtoGo” label on 19 products with more to follow.

Future leaders

Additional apprenticeship positions created; next wave of “Management Practice” programme underway.
HALF-YEAR RESULTS 2020

Playing to win
Translating trends into growth
Our growth fields addressing megatrends
The new coffee experience

Number one brand in Europe
- Further expansion into new markets

Expansion of product portfolio
- Special editions for augmented flavour experience
- “Double Zero”: best-seller with no sugar or sweeteners

Sustainability
- Continuous effort to reduce plastic (>2g!)
- PET sleeves
Full range of capabilities
- More than 20 years of know-how in producing plant-based alternatives to milk, yogurt, drinks, cheese and desserts

Unique supply network
- Production and R&D capabilities in all regions

Broadening the portfolio
- Expansion of successful range addition to Emmi Caffè Latte
- Launch of beleaf in CH, UK and GER
Food as it should be

**Pur(e) yogurts**
- Our unique know-how and technology allow us to make probably the most natural yogurts in the world

**All natural**
- Thanks to our proprietary and patented process, our Emmi Caffè Latte consists of only two or three ingredients: milk, coffee and a little bit of sugar for certain variants
- “Clean label” process for our branded fondue range (unique in the world)

**Bio/organic**
- Step-up of our organic range across our markets

Half-year results 2020 – 26 August 2020
Half-year performance 2020
Ricarda Demarmels, CFO
## Strong EBIT development

### NET SALES TO EBIT (EXTRACT)

<table>
<thead>
<tr>
<th>Category</th>
<th>1HY20</th>
<th>1HY19 restated 1)</th>
<th>Δ in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>1,773.5</td>
<td>1,663.3</td>
<td>6.6</td>
</tr>
<tr>
<td>Gross profit</td>
<td>639.9</td>
<td>604.9</td>
<td>5.8</td>
</tr>
<tr>
<td>as % of net sales</td>
<td>36.1</td>
<td>36.4</td>
<td></td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>-473.8</td>
<td>-447.0</td>
<td>6.0</td>
</tr>
<tr>
<td>as % of net sales</td>
<td>26.7</td>
<td>26.9</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>168.1</td>
<td>159.6</td>
<td>5.4</td>
</tr>
<tr>
<td>as % of net sales</td>
<td>9.5</td>
<td>9.6</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>-56.1</td>
<td>-54.4</td>
<td>3.0</td>
</tr>
<tr>
<td>EBIT</td>
<td>112.0</td>
<td>105.3</td>
<td>6.4</td>
</tr>
<tr>
<td>as % of net sales</td>
<td>6.3</td>
<td>6.3</td>
<td></td>
</tr>
</tbody>
</table>

1) Prior year figures restated based on the changes to the consolidation and valuation principles with respect to goodwill

- Pressure on gross margin at -29 bps, driven by Corona related shift in sales towards more basic products as well as currency effects
- Good cost management to protect bottom line
- Strong EBIT; EBIT margin equal to prior year (-1 bps)
## Good cost management

<table>
<thead>
<tr>
<th>in CHF million</th>
<th>1HY20</th>
<th>1HY19</th>
<th>Δ in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel expenses</td>
<td>246.4</td>
<td>231.4</td>
<td>6.5</td>
</tr>
<tr>
<td>as % of net sales</td>
<td>13.9</td>
<td>13.9</td>
<td></td>
</tr>
<tr>
<td>Marketing and sales-related expenses</td>
<td>59.8</td>
<td>63.3</td>
<td>-5.6</td>
</tr>
<tr>
<td>as % of net sales</td>
<td>3.4</td>
<td>3.8</td>
<td></td>
</tr>
<tr>
<td>Occupancy expense, maintenance &amp; repair, leasing</td>
<td>35.9</td>
<td>34.0</td>
<td>5.8</td>
</tr>
<tr>
<td>as % of net sales</td>
<td>2.0</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>Energy, operating material and supplies</td>
<td>37.8</td>
<td>36.3</td>
<td>4.0</td>
</tr>
<tr>
<td>as % of net sales</td>
<td>2.1</td>
<td>2.2</td>
<td></td>
</tr>
<tr>
<td>Logistics expenses</td>
<td>57.4</td>
<td>54.9</td>
<td>4.5</td>
</tr>
<tr>
<td>as % of net sales</td>
<td>3.2</td>
<td>3.3</td>
<td></td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>36.5</td>
<td>27.1</td>
<td>34.7</td>
</tr>
<tr>
<td>as % of net sales</td>
<td>2.1</td>
<td>1.6</td>
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<td>26.9</td>
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- YoY comparison largely driven by acquisition effects
- Total operating expenses in % of net sales slightly lower; good cost management
- Marketing and sales expenses decreased due to focused investments and delayed expenditures, both mainly due to COVID-19
## Lower net profit

<table>
<thead>
<tr>
<th></th>
<th>1HY20</th>
<th>1HY19 restated ¹)</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT</td>
<td>112.0</td>
<td>105.3</td>
<td>6.7</td>
</tr>
<tr>
<td>Income from associates and joint ventures</td>
<td>-0.4</td>
<td>2.2</td>
<td>-2.6</td>
</tr>
<tr>
<td>Financial result</td>
<td>-7.7</td>
<td>-3.0</td>
<td>-4.7</td>
</tr>
<tr>
<td>Earnings before taxes (EBT)</td>
<td>103.9</td>
<td>104.5</td>
<td>-0.6</td>
</tr>
<tr>
<td>Income taxes</td>
<td>-17.2</td>
<td>-14.5</td>
<td>-2.7</td>
</tr>
<tr>
<td>Average tax rate in %</td>
<td>16.5</td>
<td>13.9</td>
<td></td>
</tr>
<tr>
<td>Minority interests</td>
<td>-5.4</td>
<td>-3.0</td>
<td>-2.4</td>
</tr>
<tr>
<td>Net profit</td>
<td>81.3</td>
<td>87.0</td>
<td>-5.7</td>
</tr>
<tr>
<td>as % of net sales</td>
<td>4.6</td>
<td>5.2</td>
<td></td>
</tr>
</tbody>
</table>

¹) Prior year figures restated based on the changes to the consolidation and valuation principles with respect to goodwill

- Decrease in result from associated companies mainly due to step acquisition in Brazil with effect on consolidation in October 2019
- Higher financial expenses, mainly from higher interest expenses due to partly locally financed acquired companies and a negative foreign currency result
- Higher tax rate primarily due to positive one-time effects in prior year
- Higher share of minority interests resulted from recently acquired companies
### CASH FLOW

#### Strong cash generation

<table>
<thead>
<tr>
<th></th>
<th>1HY20</th>
<th>1HY19</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td>126.0</td>
<td>103.2</td>
<td>22.8</td>
</tr>
<tr>
<td>as % of EBITDA</td>
<td>75.0</td>
<td>64.7</td>
<td></td>
</tr>
<tr>
<td><strong>Investments in property, plant and equipment (Capex)</strong></td>
<td>-58.1</td>
<td>-44.1</td>
<td>-14.0</td>
</tr>
<tr>
<td><strong>Free cash flow (excluding acquisition activity)</strong></td>
<td>59.0</td>
<td>61.7</td>
<td>-2.7</td>
</tr>
<tr>
<td>as % of EBITDA</td>
<td>35.1</td>
<td>38.7</td>
<td></td>
</tr>
<tr>
<td><strong>Cash balance</strong></td>
<td>368.8</td>
<td>378.1</td>
<td>-9.3</td>
</tr>
</tbody>
</table>

- Continued strong cash generation; operating cash conversion of 75 %
- Strong balance sheet allows further investment in strategic projects
- Strong liquidity position
Continued strong balance sheet

in CHF million

- Low ratio of 0.3x net debt/EBITDA
- Financing potential for further growth

2016 to 2019: balance sheets as at 31 December
2020: balance sheet as at 30 June
Outlook
Urs Riedener, CEO
# Outlook summary

Uncertainties driven by COVID-19 with and the impact on economic development as well as consumer and customer sentiment are here to stay – as are geopolitical tensions.

Consumer spending shifting toward value, continued flight to online and slow recovery of out-of-home consumption.

## Switzerland
- Strong focus on retail and full assortment offer mitigate shifts in consumption
- Differentiation remains key
- Shift towards value and basic products as well as trusted brands
- Closed-border effect partly gone
- Slow food service recovery
- Strong Swiss franc favours imports

## International
- Capabilities to quickly adapt marketing and sales mix
- Ongoing growth of niches (goat, organic)
- Many countries with political instability
- Continued growth of value brands in emerging markets
- Full food service recovery delayed beyond 2022
- Strong Swiss franc further raises pressure on exports from Switzerland
EXPECTATIONS FOR FULL-YEAR 2020

Slightly lower organic growth – EBIT expected at lower end of range

Organic growth, earnings targets

<table>
<thead>
<tr>
<th>Growth Group</th>
<th>0.5 % to 1.5 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth Switzerland</td>
<td>1 % to 2 %</td>
</tr>
<tr>
<td>Growth Americas</td>
<td>-2 % to 0 %</td>
</tr>
<tr>
<td>Growth Europe</td>
<td>1 % to 3 %</td>
</tr>
<tr>
<td>EBIT in CHF million</td>
<td>255 to 265</td>
</tr>
<tr>
<td>Net profit margin</td>
<td>4.8 % to 5.3 %</td>
</tr>
</tbody>
</table>

(Figures assume a stable recovery from COVID-19 as well as constant exchange rates and raw milk prices)
MEDIUM-TERM FORECAST

No changes to the mid-term guidance

Organic growth, earnings targets

<table>
<thead>
<tr>
<th>Category</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth Group</td>
<td>2 % to 3 %</td>
</tr>
<tr>
<td>Growth Switzerland</td>
<td>0 % to 1 %</td>
</tr>
<tr>
<td>Growth Americas</td>
<td>4 % to 6 %</td>
</tr>
<tr>
<td>Growth Europe</td>
<td>1 % to 3 %</td>
</tr>
<tr>
<td>Net profit margin</td>
<td>5.5 % to 6.0 %</td>
</tr>
</tbody>
</table>

(Figures assume a stable recovery from COVID-19 as well as constant exchange rates and raw milk prices)
Thank you for your attention.