



GROUP

26 AUGUST 2020

# Emmi half-year results 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.

Emmi is providing the information in this presentation as of this date and does not undertake any obligation to update any forward-looking statements as a result of new information, future events or otherwise.

This presentation is not intended to be a recommendation to buy, sell or hold securities and does not constitute an offer for the sale or purchase of securities in Switzerland, the United States or any other jurisdiction.



# 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



# Resilient and robust performance

## Resilient business model

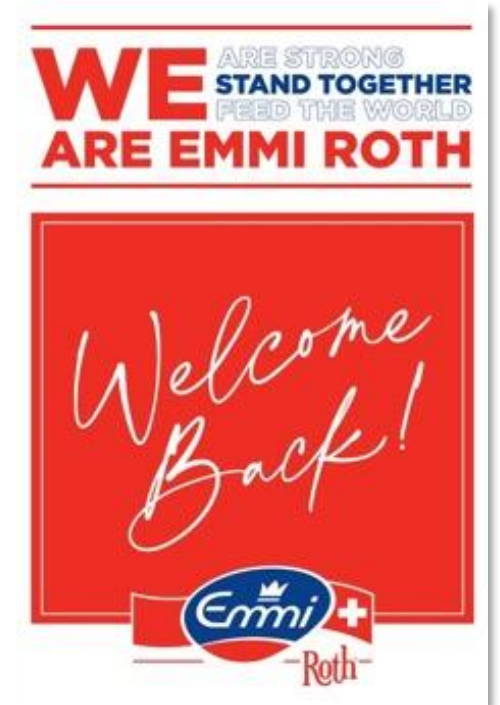
- Health of employees and business protected
- Category, portfolio and channel mix resist COVID-19 stress test
- Agile organisation; strong leadership and culture

## 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



# 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 %

**Financial strength**  
**0.3x net debt/EBITDA**

30 June 2019: 0.3x



**CHF 112.0 m**

EBIT

Increase: +6.4 %

EBIT margin: 6.3 %

(1HY19 restated: 6.3 %)

**CHF 81.3 m**

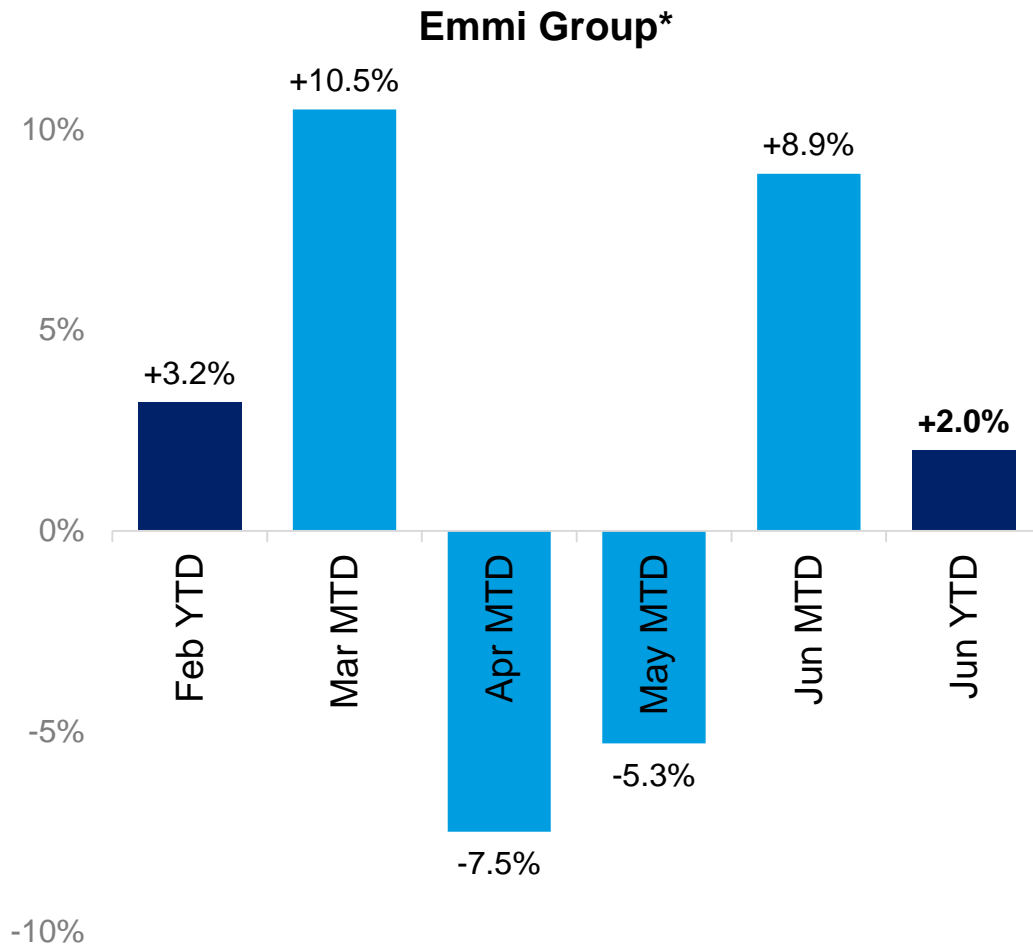
Net profit

Decrease: -6.5 %

Net profit margin: 4.6 %

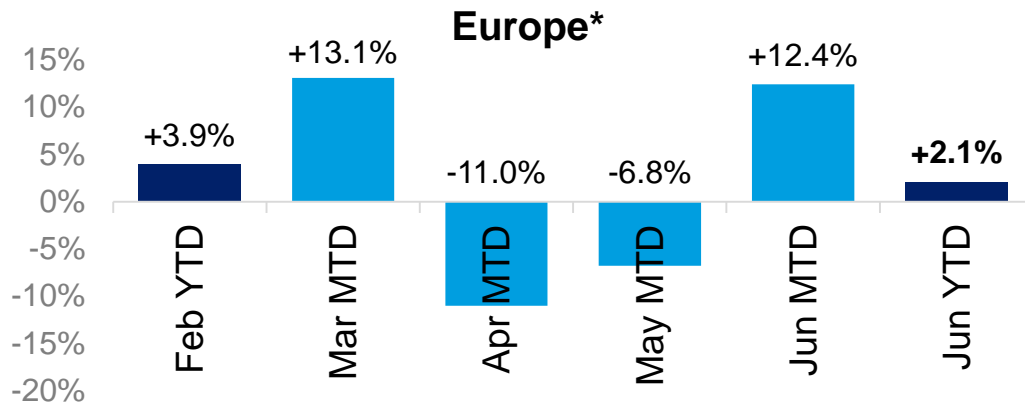
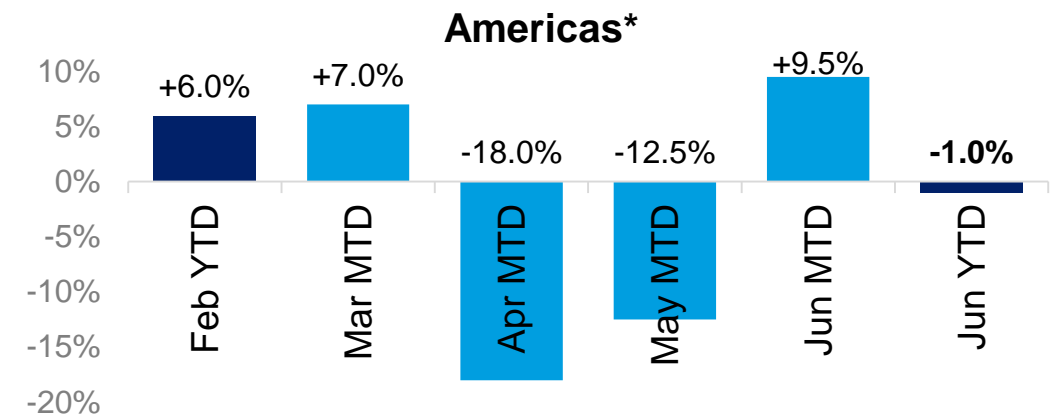
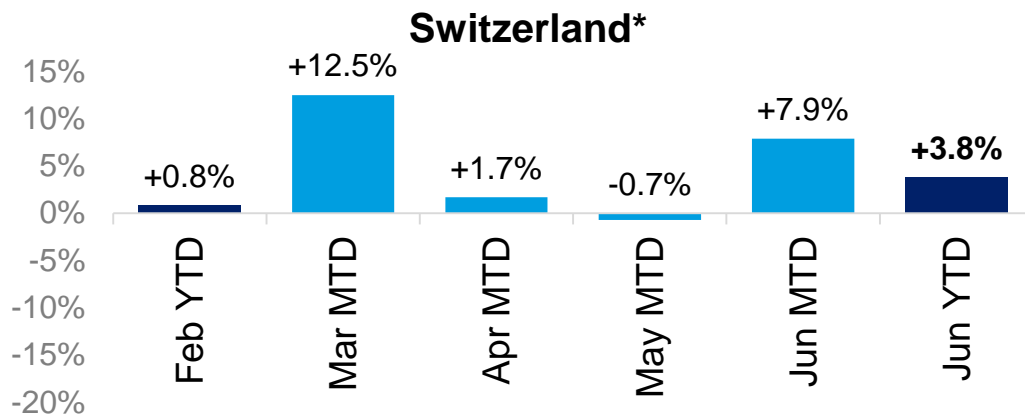
(1HY19 restated: 5.2 %)

# 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

# Significant COVID-19 impact (2/2)



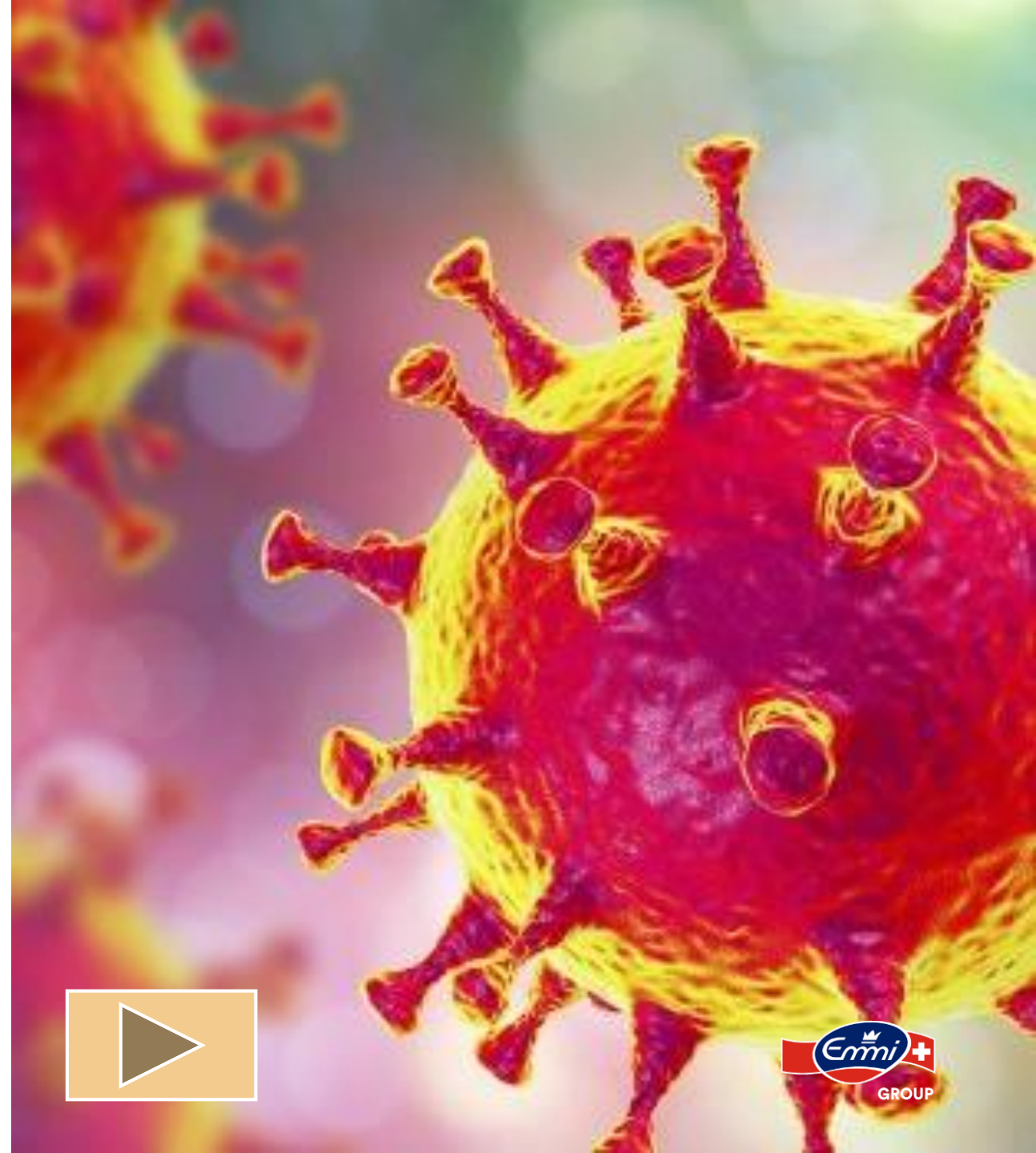


# The “new normal”

**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



# Highlights



IV Award for inclusive employment and integration of disabled people



Extension of Kaltbach range to include third iconic "artisanal cheese"



Launch of beleaf brand in Switzerland and the UK in June



Emmi Dessert Italia relaunches core range in glass cups for special occasions



Extension and co-branding of protein range



First Emmi Sustainability Day engaging staff across and beyond Group

JAN

FEB

MAR

APR

MAY

JUN



# Continued focus on our strategy

STRATEGIC PILLARS



**Strong  
domestic  
market**



**International  
growth**



**Cost  
management**

NICHES



**Dessert**



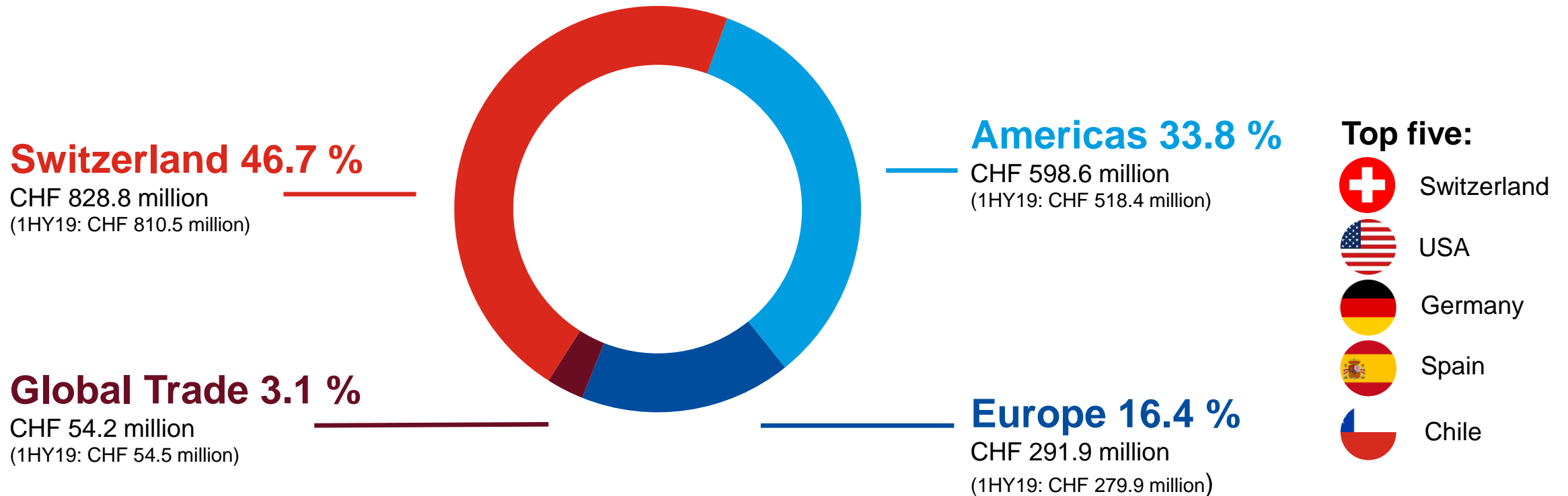
**Goat**



**Organic**



# Net sales by business division



# 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

## Cheese 28.8 %

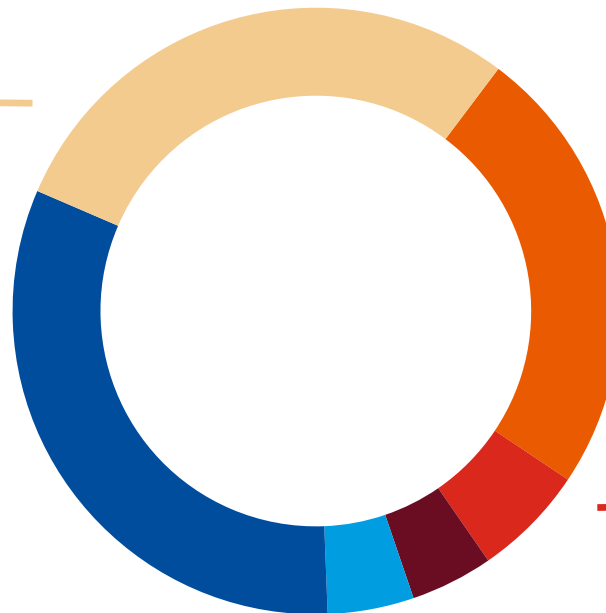
CHF 510.5 million  
(1HY19: CHF 488.5 million)

## Dairy products 32.1 %

CHF 569.2 million  
(1HY19: CHF 521.9 million)

## Other products/services 4.6 %

CHF 82.1 million  
(1HY19: CHF 87.1 million)



## Fresh products 24.1 %

CHF 427.7 million  
(1HY19: CHF 416.9 million)

## Fresh cheese 5.9 %

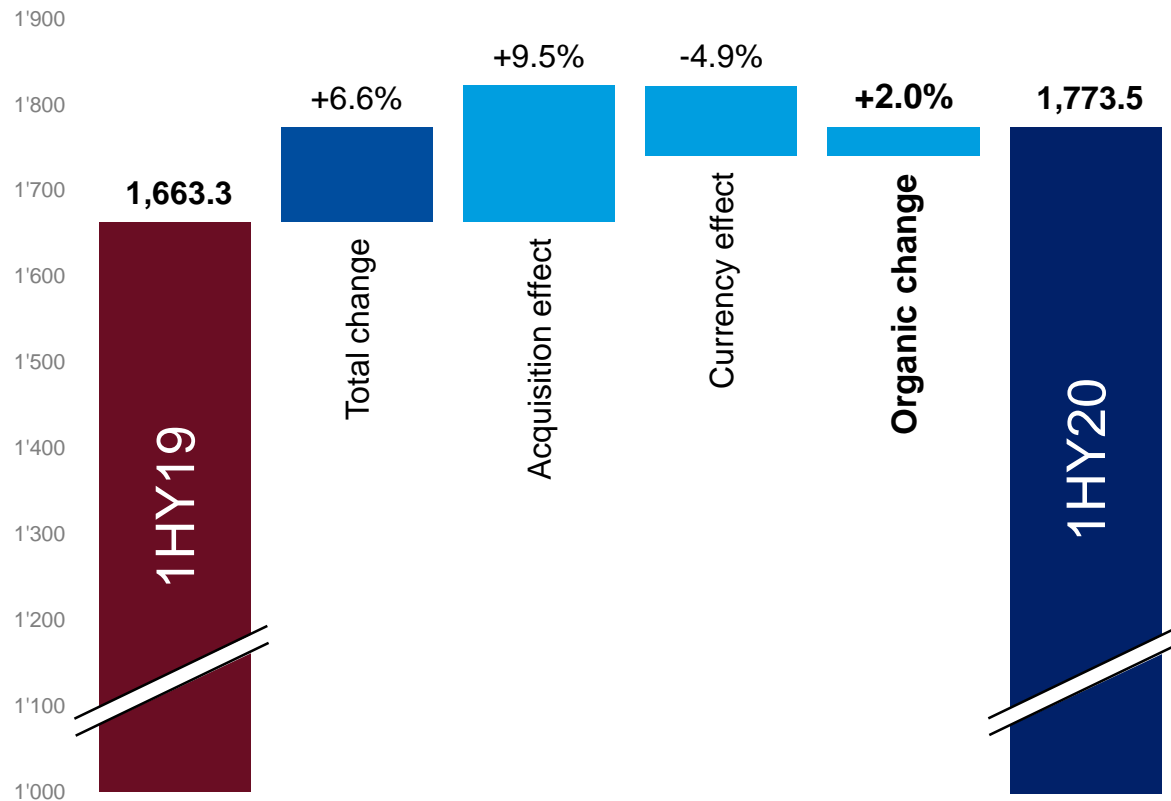
CHF 105.2 million  
(1HY19: CHF 86.3 million)

## Powder/concentrates 4.5 %

CHF 78.8 million  
(1HY19: CHF 62.6 million)

# Strong organic sales growth

Group net sales in CHF million

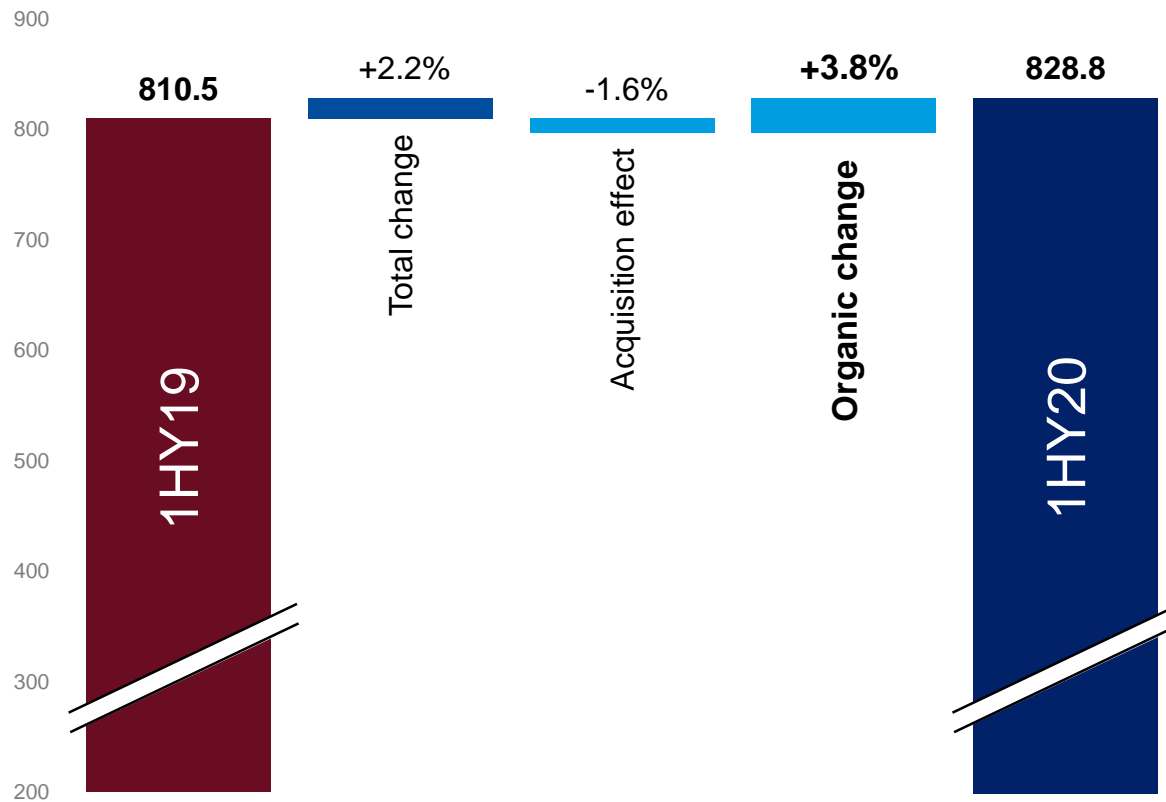


- Strong organic growth in Switzerland thanks to a strong retail business
- Continued growth of Emmi Caffè Latte, mainly in Switzerland, the UK and Spain
- “Organic” strategic niche as growth driver across business divisions
- Food service (approx. 15 % of Group sales as of HY19) at -31 %



# Crisis boosted retail sales

Business division Switzerland net sales in CHF million



## 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

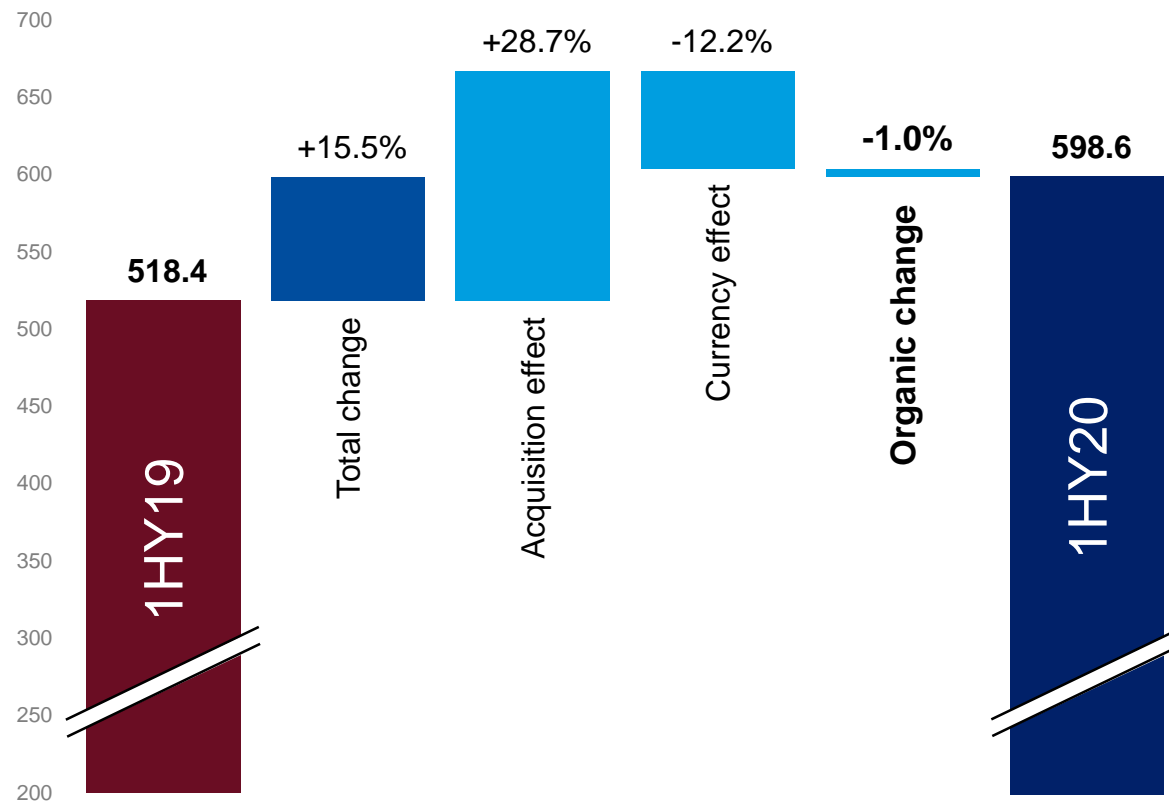
## Fresh products

**Sales CHF 172.0 million, +3.0 % (org. +3.7 %)**

- Growth drivers Emmi Caffè 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

# Food service hit by COVID-19

Business division Americas net sales in CHF million



## 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)

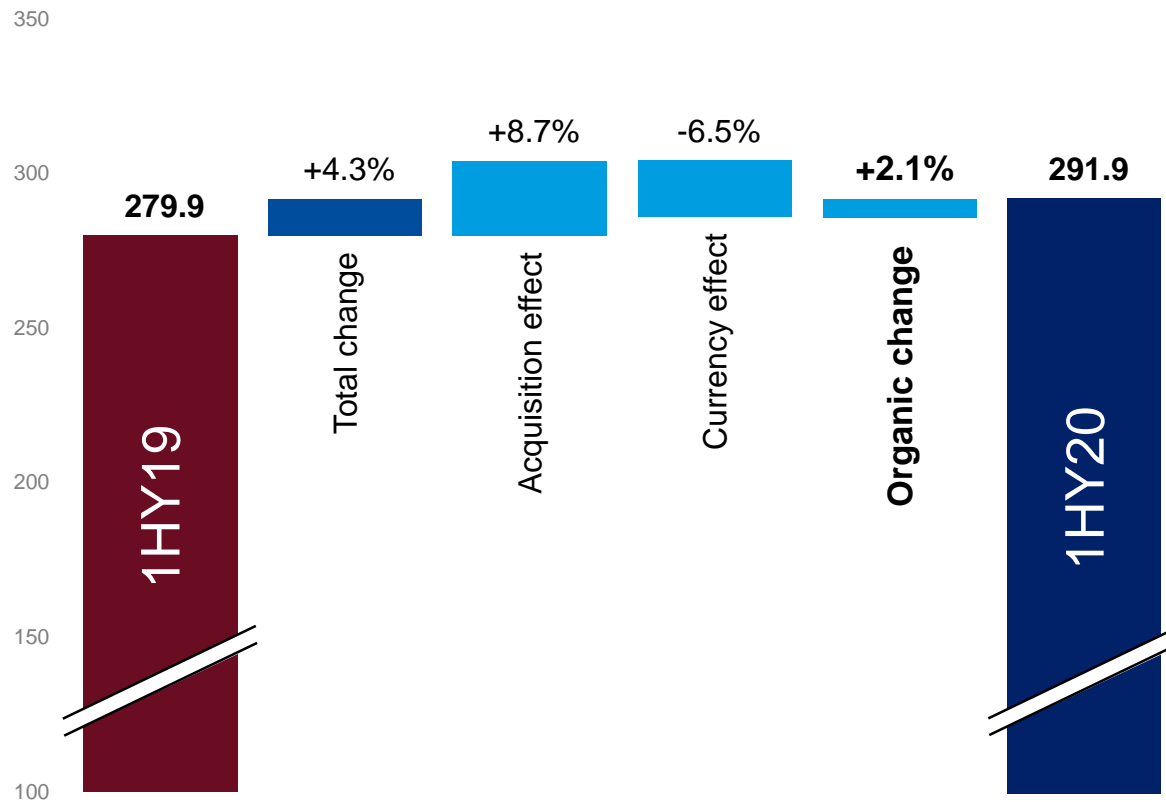
## Fresh products

**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





# Delivering superior growth

## Ongoing strategic portfolio review and integration

2019

### 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

2020

### 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



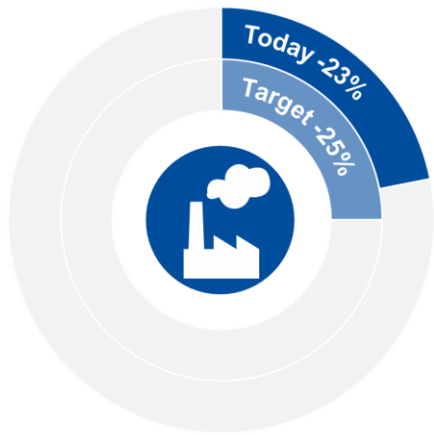
A photograph of a herd of brown cows in a lush green field. In the background, there are rolling green hills and mountains under a dramatic, cloudy sky. A small white church with a steeple is visible in the distance on the left. The cows are in the foreground, some looking directly at the camera. They have yellow ear tags with numbers like 4744 and 4745.

HALF-YEAR RESULTS 2020

# Sustainability



# Making further progress



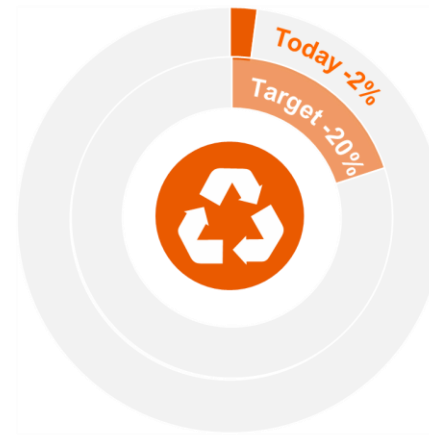
## Reducing greenhouse gases

We are committed to reducing our global CO<sub>2</sub> emissions by 25 % by 2020.



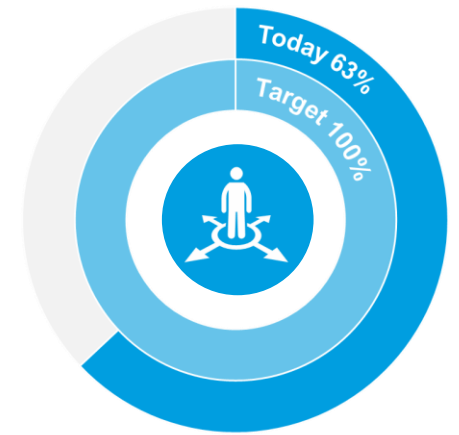
## Sustainable milk

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.

# Driving change



## 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.



Oft länger gut  
Souvent bon après

## 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.





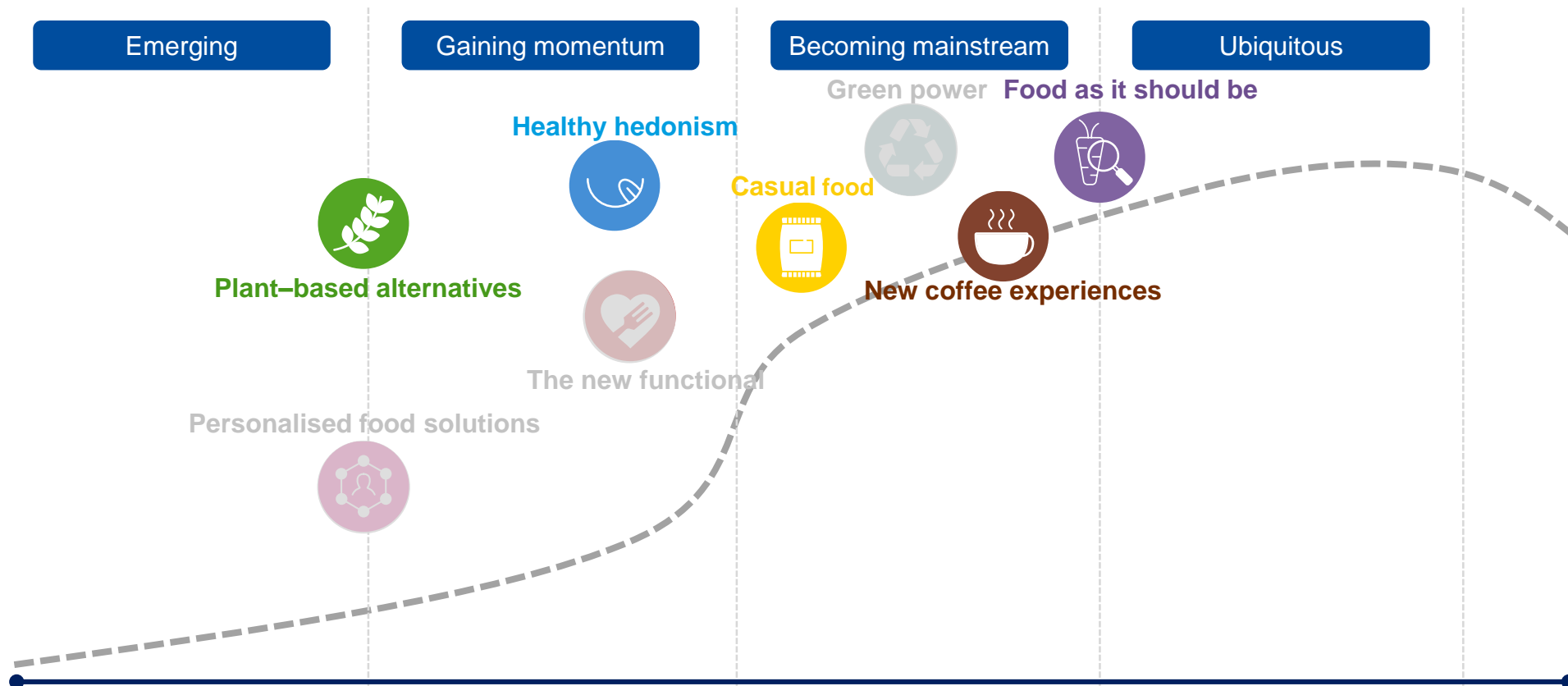


HALF-YEAR RESULTS 2020

# 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

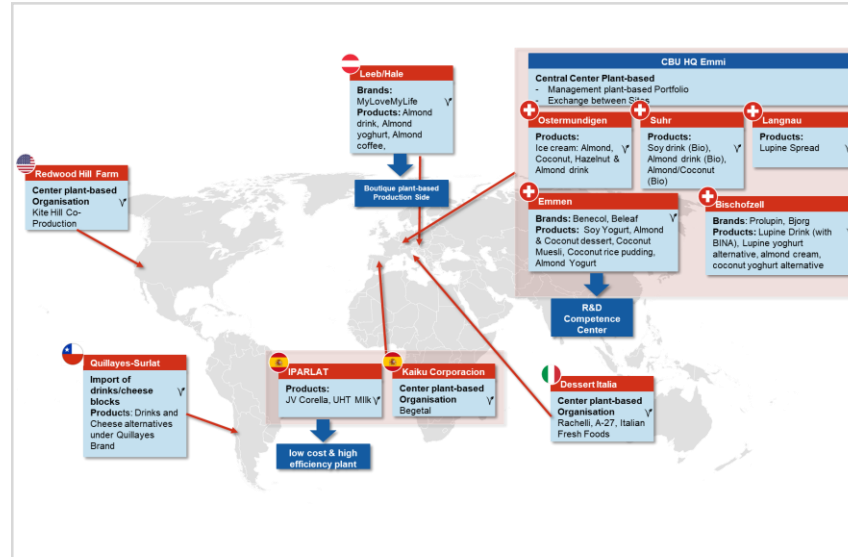
- Continuous effort to reduce plastic (>-2g!)
- PET sleeves

# Plant-based



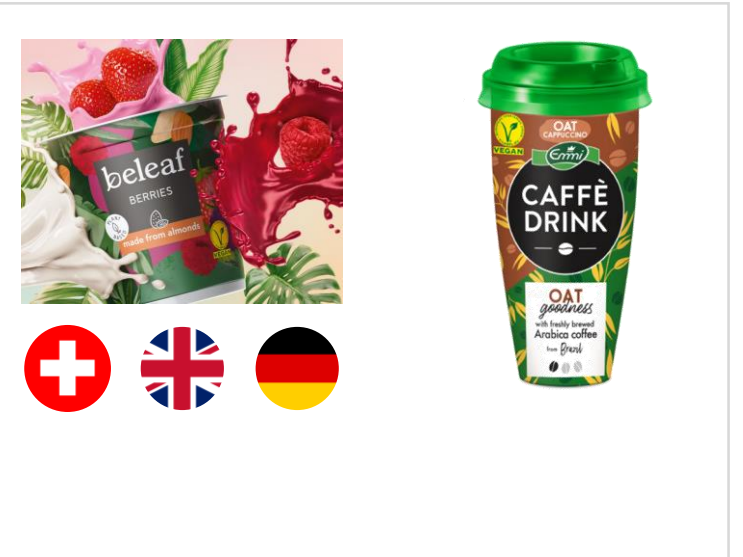
## Full range of capabilities

- 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



A photograph of two Emmi Caffè Latte cups, a glass of iced coffee, and a slice of citrus fruit on a dark surface with green leaves. The blue cup is labeled 'CAFFÈ LATTE COLD BREW' and '12 hours gently brewed'. The colorful cup is labeled 'CAFFÈ LATTE COLOMBIA EDITION'.

HALF-YEAR RESULTS 2020

# Half-year performance 2020

Ricarda Demarmels, CFO

# Strong EBIT development

in CHF million

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

- 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)

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

# Good cost management

in CHF million

|  | 1HY20        | 1HY19        | Δ in %     |
|--|--------------|--------------|------------|
| Personnel expenses                               | 246.4        | 231.4        | 6.5        |
| as % of net sales                                | 13.9         | 13.9         |            |
| Marketing and sales-related expenses             | 59.8         | 63.3         | -5.6       |
| as % of net sales                                | 3.4          | 3.8          |            |
| Occupancy expense, maintenance & repair, leasing | 35.9         | 34.0         | 5.8        |
| as % of net sales                                | 2.0          | 2.0          |            |
| Energy, operating material and supplies          | 37.8         | 36.3         | 4.0        |
| as % of net sales                                | 2.1          | 2.2          |            |
| Logistics expenses                               | 57.4         | 54.9         | 4.5        |
| as % of net sales                                | 3.2          | 3.3          |            |
| Other operating expenses                         | 36.5         | 27.1         | 34.7       |
| as % of net sales                                | 2.1          | 1.6          |            |
| <b>Total operating expenses</b>                  | <b>473.8</b> | <b>447.0</b> | <b>6.0</b> |
| as % of net sales                                | 26.7         | 26.9         |            |

- 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

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

- 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

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

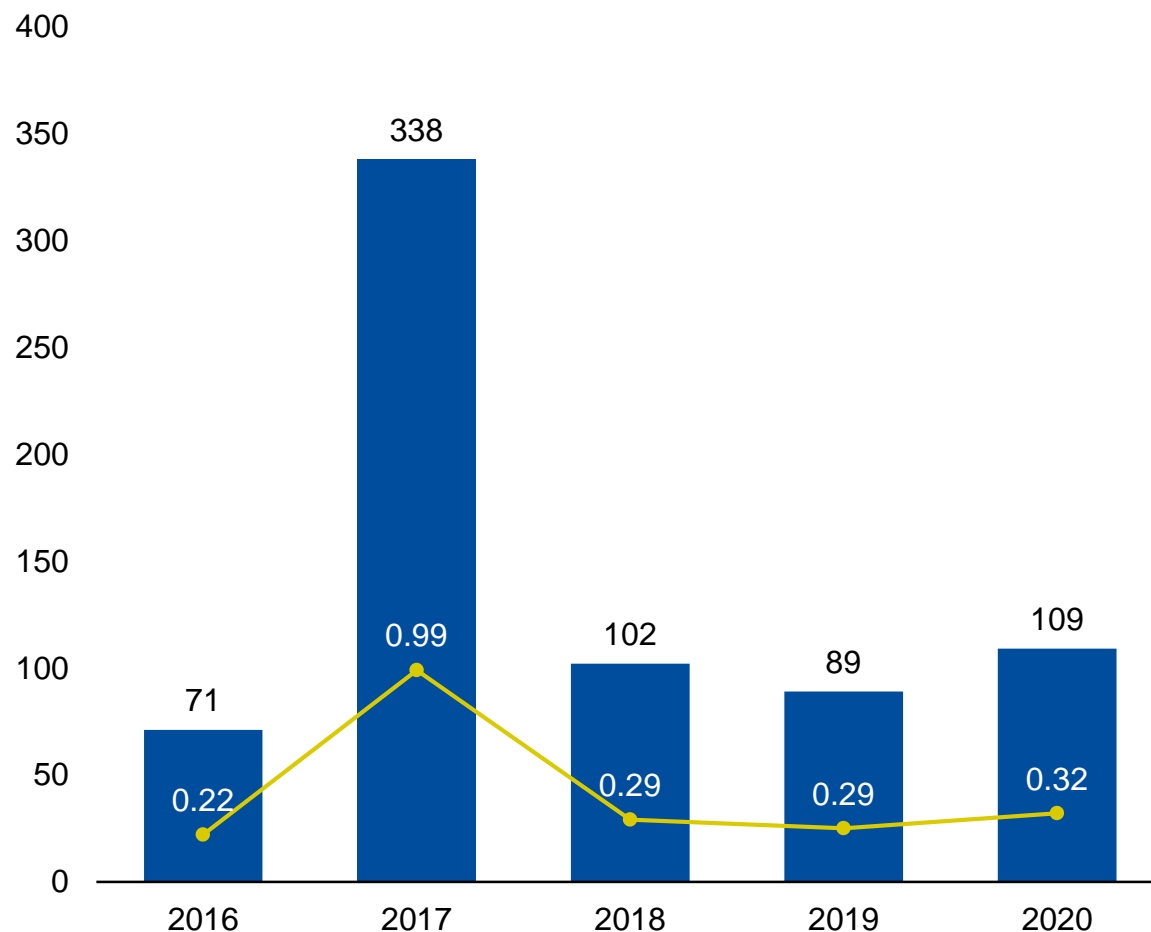
# Strong cash generation

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

- 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

■ Net debt    ● Net debt/EBITDA ratio

2016 to 2019: balance sheets as at 31 December  
2020: balance sheet as at 30 June



HALF-YEAR RESULTS 2020

# 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



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

## Organic growth, earnings targets

|                     |                |
|---------------------|----------------|
| Growth Group        | 0.5 % to 1.5 % |
| Growth Switzerland  | 1 % to 2 %     |
| Growth Americas     | -2 % to 0 %    |
| Growth Europe       | 1 % to 3 %     |
| EBIT in CHF million | 255 to 265     |
| Net profit margin   | 4.8 % to 5.3 % |

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





# No changes to the mid-term guidance

## Organic growth, earnings targets

|                    |                |
|--------------------|----------------|
| Growth Group       | 2 % to 3 %     |
| Growth Switzerland | 0 % to 1 %     |
| Growth Americas    | 4 % to 6 %     |
| Growth Europe      | 1 % to 3 %     |
| Net profit margin  | 5.5 % to 6.0 % |

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





A man with a beard is shown in profile, drinking from a red can of Emmi Latte Caffe. The can has the Emmi logo and the words 'LATTE CAFE' and 'INTENSE' on it. The background is blurred, showing what appears to be a train or a similar vehicle.

HALF-YEAR RESULTS 2020

Q&A

Urs Riedener, CEO | Ricarda Demarmels, CFO





**Thank you for your attention.**

Emmi  
Landenbergstrasse 1  
6002 Lucerne  
[Emmi.com](http://Emmi.com)