



**Emmi Group**

**Financial year 2017  
Results presentation**

**Lucerne, 5 March 2018**



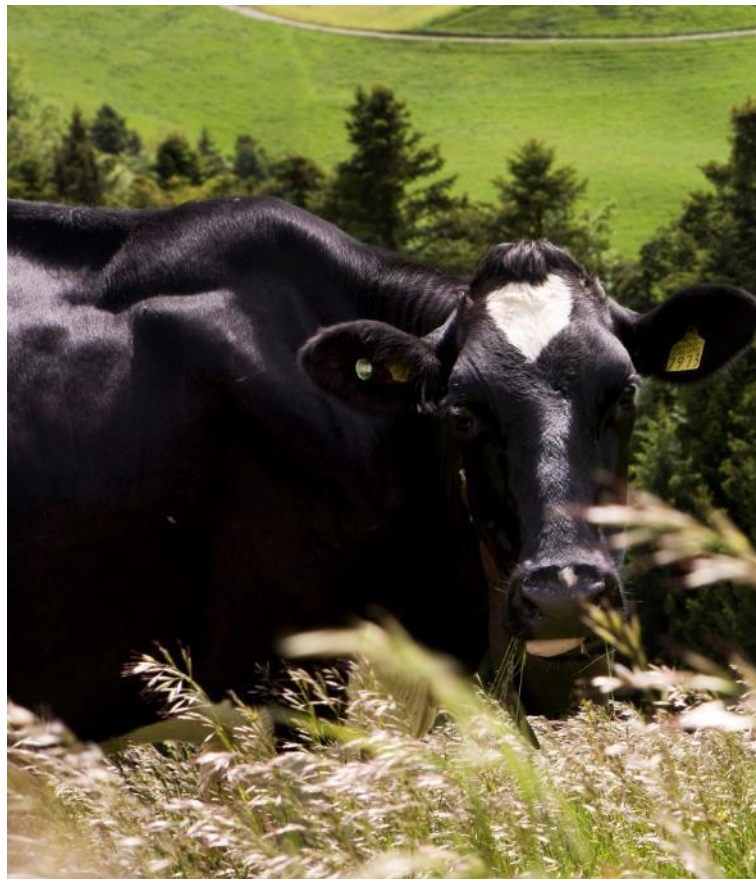
**Welcome**  
**Konrad Graber, Chairman of the Board of Directors**

Overview of financial year 2017  
Urs Riedener, CEO

Annual result 2017  
Jörg Riboni, CFO

Success factors  
Urs Riedener, CEO

Outlook  
Urs Riedener, CEO



## Switzerland

- Stable retail
- Continuing price and import pressure
  - Cheese imports +4.2 % year-on-year
  - Price effect -0.7 %

## Business division Americas

- Pleasing sales development in the US and Tunisia
- Stabilisation of core business in Chile

## Business division Europe

- Growth in niches (organic milk, goat's milk powder)
- Growth in brand concepts in individual countries (e.g. Caffè Latte and Kaltbach)
- AOP cheese still under pressure



Welcome  
Konrad Graber, Chairman of the Board of Directors

**Overview of financial year 2017**  
**Urs Riedener, CEO**

Annual result 2017  
Jörg Riboni, CFO

Success factors  
Urs Riedener, CEO

Outlook  
Urs Riedener, CEO

## Slight growth in sales and EBIT; strong increase in net profit



- Net sales CHF 3,364 million  
Increase of 3.2 %  
(organic: +0.5 %)
- EBIT CHF 206 million  
Increase of 1.6 %
  - EBIT margin 6.1 %  
(2016: 6.2 %)
- Net profit CHF 162 million  
Increase of 15.1 %
  - Net profit margin 4.8 %  
(2016: 4.3 %)



**Growth in the  
desserts business**



**Emmi Operational  
Excellence in California**



**Fantastic  
world ski  
championship  
days**



**Announce-  
ment of  
stake in Brazil**



**Jogurtpur to go**



**Less is more**



**Caffè Latte  
in concert**



**Ooola Secrets**



**OekoVision  
Sustainability  
Leadership Award**



**Cheese  
awards**

**Majority stake  
in Mexideli**



**Christian Zaugg:  
Emmi forever**



**Kai Könecke, Global Supply Chain Officer**

- More than 20 years of management experience in supply chain
- Wide-ranging know-how (Mars, Amazon, Unilever)
- Strong international focus



**Thomas Morf, Chief Global Marketing Officer**

- Consumer goods specialist (Procter & Gamble, Danone)
- 16 years of marketing and management experience
- Has worked in Germany, Belgium, France, South Africa

## Growth in business divisions Americas and Europe, slight decline in Switzerland



### Switzerland

- Sales CHF 1,731 million
  - Decline of 0.6 %

### Americas

- Sales CHF 950 million
  - Growth of 9.7 % (organic: +4.1 %)

### Europe

- Sales CHF 564 million
  - Growth of 8.7 % (organic: +0.8 %)

### Global Trade

- Sales CHF 120 million
  - Decline of 10.0 % (organic: -9.7 %)

## Cheese and dairy products form the two largest segments

Cheese 31 %, CHF 1,053 million  
(Previous year CHF 1,015 million)

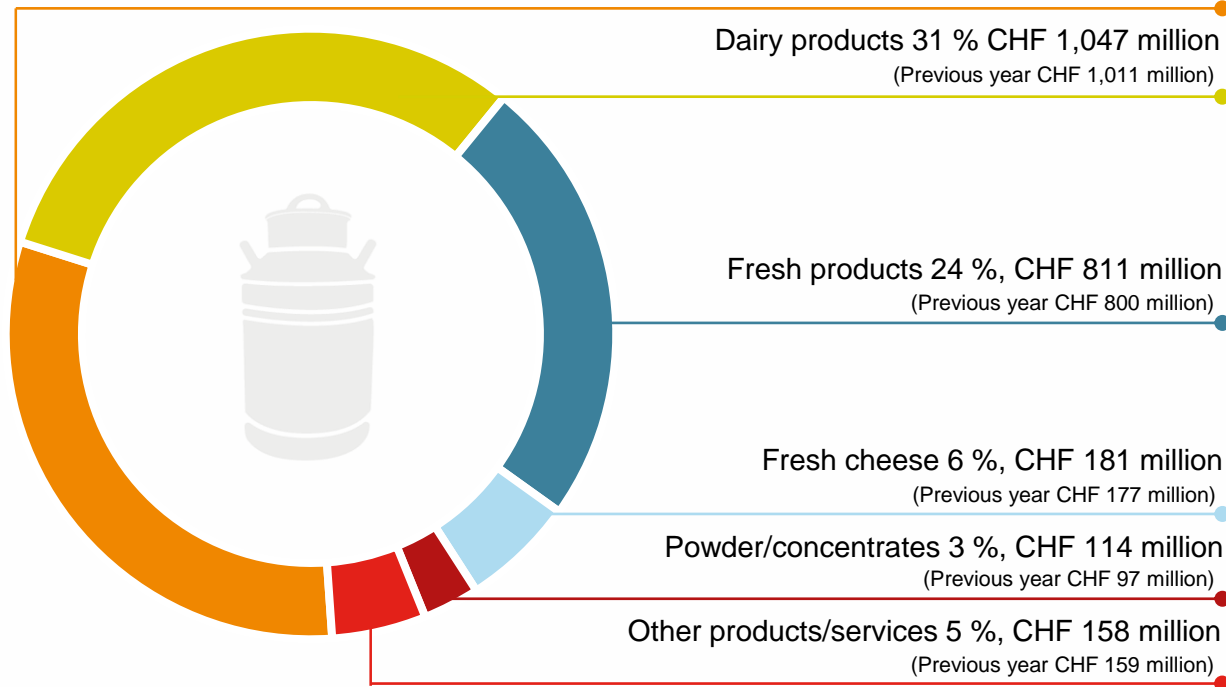
Dairy products 31 % CHF 1,047 million  
(Previous year CHF 1,011 million)

Fresh products 24 %, CHF 811 million  
(Previous year CHF 800 million)

Fresh cheese 6 %, CHF 181 million  
(Previous year CHF 177 million)

Powder/concentrates 3 %, CHF 114 million  
(Previous year CHF 97 million)

Other products/services 5 %, CHF 158 million  
(Previous year CHF 159 million)



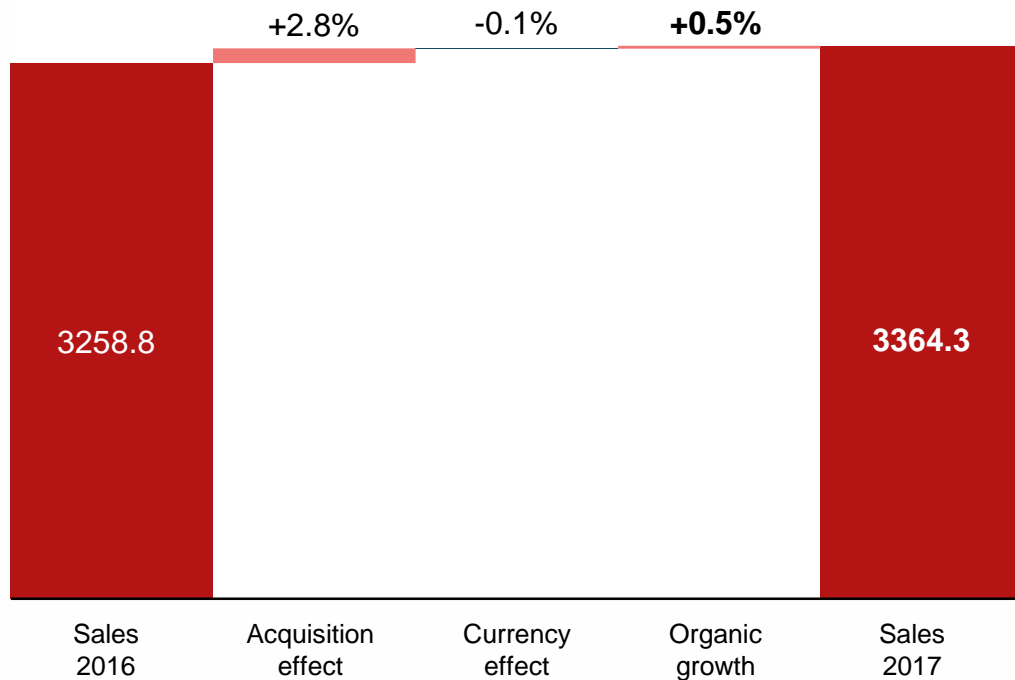
## Largest increase in sales since 2014, EBITDA and EBIT margins stable compared with 2016

in CHF million	2017	2016	2015	2014*	2013
Net sales	<b>3,364</b>	3,259	3,214	3,404	3,298
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	<b>340.7</b>	328.2	314.9	293.1	280.1
as % of net sales	<b>10.1</b>	10.1	9.8	8.6	8.5
Earnings before interest and taxes (EBIT)	<b>205.8</b>	202.7	188.9	170.7	160.0
as % of net sales	<b>6.1</b>	6.2	5.9	5.0	4.9
Net profit	<b>161.6</b>	140.3	120.2	109.4	97.6
as % of net sales	<b>4.8</b>	4.3	3.7	3.2	3.0
Headcount (full-time equivalents) as at 31.12.	<b>6,147</b>	5,779	5,405	5,305	5,217

\*2014: EBIT and net profit adjusted for non-recurring effects of CHF -34.5 million and CHF -30.5 million respectively. These are attributable to the impairment charge in Italy (Trentinalatte) less extraordinary gain generated from the sale of companies, businesses, and property, plant and equipment.

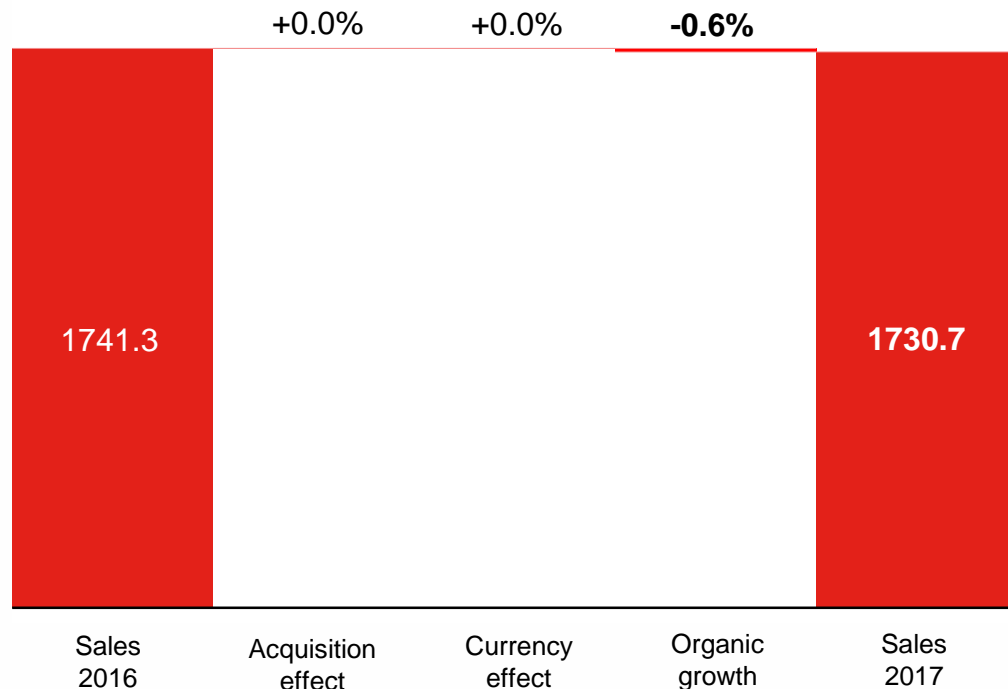
## Group growth 3.2 %, organic growth 0.5 %

Groups sales in CHF million



## Swiss business under pressure

Switzerland sales in CHF million



### Dairy products

**Sales CHF 662.0 million, -0.2 %**

- Stable sales
- Slightly positive price effect due to higher milk price from October 2017

### Cheese

**Sales CHF 475.6 million, -1.0 %**

- Growth in Luzerner Rahmkäse and Le Petit Chevrier
- Declining AOP sales
- 4.2 % higher cheese imports into Switzerland

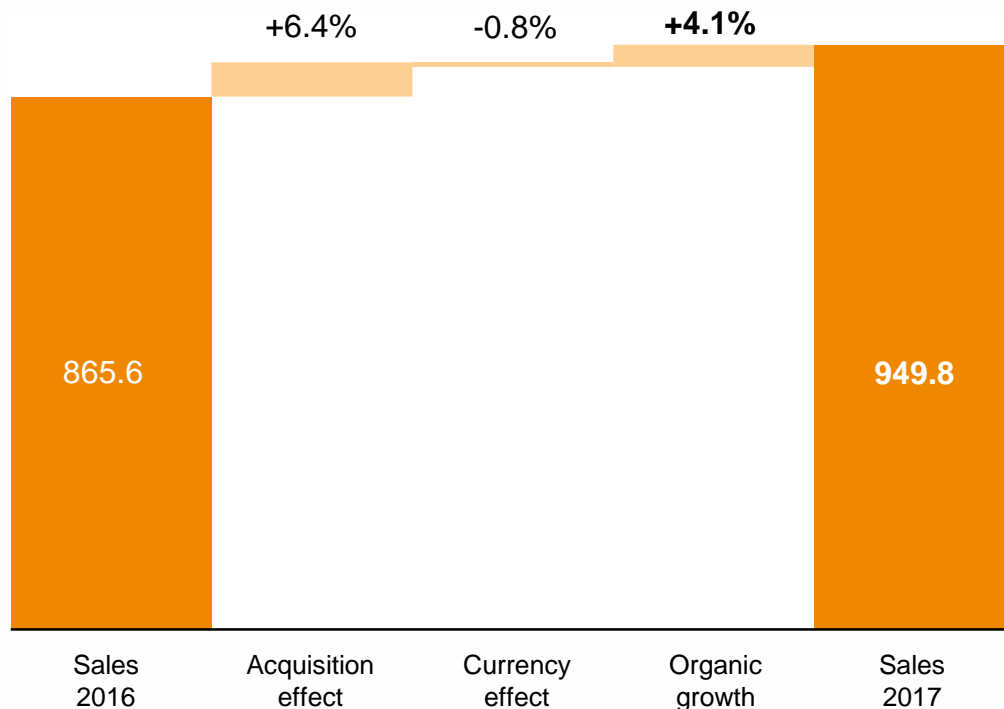
### Fresh products

**Sales CHF 343.9 million, -0.7 %**

- Growth of Caffè Latte, protein drinks and Jogurtpur
- Declining sales of private label yogurts

## Tunisia and USA with strong organic growth

Americas sales in CHF million



### Cheese

**Sales CHF 404.0 million, +11.6 % (org. +7.3 %)**

- Growth in locally manufactured cheese (goat's and cow's milk)
- Pressure on AOP sales
- Positive acquisition effects: Cowgirls, Mexideli

### Dairy products

**Sales CHF 266.1 million, +12.2 % (org. +5.4 %)**

- Growth in Tunisia
- Progress in Chile
- Positive acquisition effects: Jackson Mitchell "Meyenberg", SDA Chile

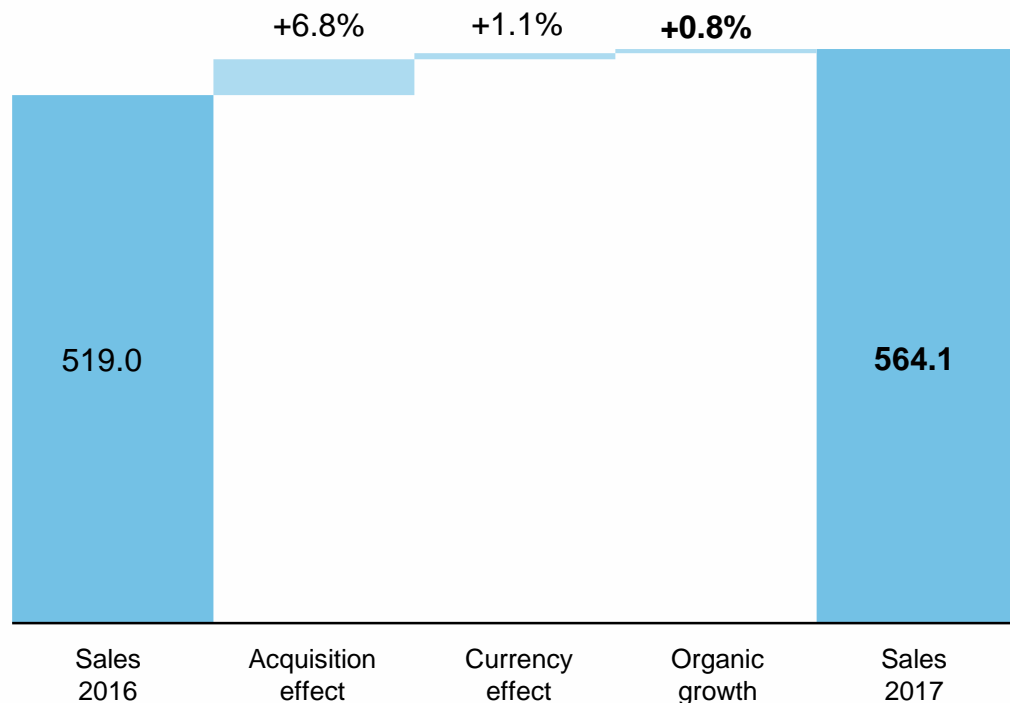
### Fresh products

**Sales CHF 196.8 million, -1.9 % (org. -0.9 %)**

- Growth in Tunisia
- Declining private label sales in Spain but growth with Caffè Latte
- Positive acquisition effects: SDA Chile

## Strong sales development in second half

Europe sales in CHF million



### Fresh products

**Sales CHF 227.5 million, +10.0 % (org. -1.8 %)**

- Growth in Rachelli's desserts business
- Declining sales at A-27 (desserts)
- Declining sales at Onken (Brexiteffect in UK)
- Strong Caffè Latte sales in UK
- Positive acquisition effects: Italian Fresh Foods

### Cheese

**Sales CHF 125.0 million, +0.5 % (org. -2.5 %)**

- Growth in Kaltbach in UK, Germany and Austria
- Declining AOP sales
- Positive acquisition effect from Bettinehoeve

### Dairy products

**Sales CHF 108.1 million, +10.1 % (org. +7.4 %)**

- Strong growth at Gläserne Molkerei
- Positive acquisition effect from Lácteos Caprinos



Welcome  
Konrad Graber, Chairman of the Board of Directors

Overview of financial year 2017  
Urs Riedener, CEO

**Annual result 2017**  
**Jörg Riboni, CFO**

Success factors  
Urs Riedener, CEO

Outlook  
Urs Riedener, CEO

## Highest EBIT in Emmi's history

in CHF million	2017	2016	Δ in %
Net sales	3,364.3	3,258.8	3.2
Gross profit	1,200.9	1,179.5	1.8
as % of net sales	35.7	36.2	
Other income	5.7	4.7	20.2
Operating expenses	-865.9	-856.1	1.1
EBITDA	340.7	328.2	3.8
as % of net sales	10.1	10.1	
Depreciation and amortisation	-135.2	-125.8	7.5
Write-back of negative goodwill	0.3	0.3	–
EBIT	<b>205.8</b>	<b>202.7</b>	<b>1.6</b>
as % of net sales	<b>6.1</b>	6.2	

- Gross profit margin down 0.5 percentage points, due among other reasons to price pressure in Switzerland
- Disproportionate increase in operating expenses due to Operational Excellence
- Increase in goodwill amortisations due to acquisitions
- Slight rise in EBIT
- EBIT margin practically stable at 6.1 %

## Higher gross profit, but lower gross profit margin

in CHF million	2017	2016	Δ in %
Net sales	3,364.3	3,258.8	3.2
Gross profit	1,200.9	1,179.5	1.8
as % of net sales	35.7	36.2	

- Lower gross profit margin due primarily to price pressure in Switzerland
- Slight rise in margin in business divisions Americas and Europe
- Significant improvements in Chile
- Brexit-related margin losses in UK

## Disproportionately low increase in operating expenses

in CHF million	2017	2016	Δ in %
Personnel expenses	443.2	424.5	4.4
as % of net sales	13.2	13.0	
Marketing and sales-related expenses	126.0	129.3	-2.5
as % of net sales	3.7	4.0	
Occupancy expense, maintenance & repair, leasing	65.4	67.5	-3.0
Energy, operating material and supplies	65.1	62.8	3.7
Logistic expenses	96.0	92.7	3.6
Other operating expenses	70.2	79.3	-11.5
<b>Operating expenses</b>	<b>865.9</b>	<b>856.1</b>	<b>1.1</b>
as % of net sales	25.8	26.2	

- Higher personnel expenses mainly due to higher costs in business division Americas
- Strong focus of marketing investments on key brands; shift to digital marketing
- Lower maintenance costs thanks to Emmi Operational Excellence
- Other operating expenses: lower IT costs due to completion of SAP roll-out, fewer lawsuits

## Significant increase in earnings per share

in CHF million	2017	2016	Δ
EBIT	205.8	202.7	3.1
Income from associates and joint ventures	3.6	3.9	-0.3
Financial result	-10.4	-14.6	4.2
Earnings before taxes (EBT)	199.1	192.0	7.1
Income taxes	-30.3	-33.7	3.4
Average tax rate in %	15.2	17.6	
Minority interests	-7.2	-18.0	10.8
<b>Net profit</b>	<b>161.6</b>	<b>140.3</b>	<b>21.3</b>
as % of net sales	4.8	4.3	
<b>Earnings per share (in CHF)</b>	<b>30.20</b>	<b>26.23</b>	<b>3.97</b>

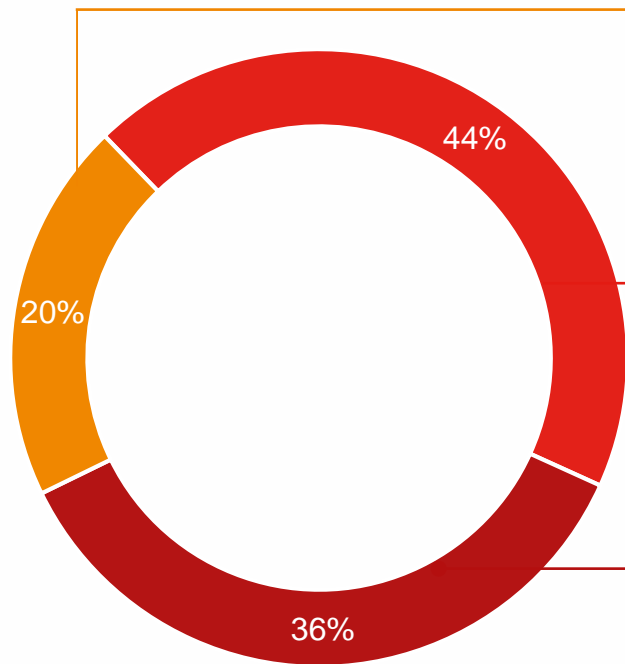
- Positive impact of refinancing and currencies on financial result
- Positive tax effects abroad
- Acquisition of minority interests in Mittelland Molkerei AG in 2017
- Net profit 2017:  
CHF 161.6 million (net profit margin 4.8 %)
- Earnings per share  
CHF 30.20 (previous year CHF 26.23)

## Stable free cash flow

in CHF million

	2017	2016	Δ
<b>Cash flow from operating activities</b>	<b>251.7</b>	<b>271.9</b>	<b>-20.2</b>
Investments in tangible assets	-96.3	-92.4	-3.9
Investments in intangible assets	-2.9	-12.1	9.2
Other investment activities	23.0	7.3	15.7
<b>Free cash flow</b>	<b>175.5</b>	<b>174.7</b>	<b>0.8</b>
Acquisition/disposal of holdings	-398.1	-93.2	-304.9
Cash flow from financing activities and currency translation	28.3	-63.4	91.7
<b>Net change in cash and cash equivalents</b>	<b>-194.3</b>	<b>18.1</b>	<b>-212.4</b>

## Replacement investments reduced in favour of rationalisation investments



### Expansion investments (PY 23 %)

- New “Ooola” dessert line (Emmen, CH)
- New production facility (Cowgirls Creamery, USA)
- Wastewater treatment plant (Emmi Roth, USA)
- Expansion of production and warehousing (Bettinehoeve, NL)

### Replacement investments (PY 53 %)

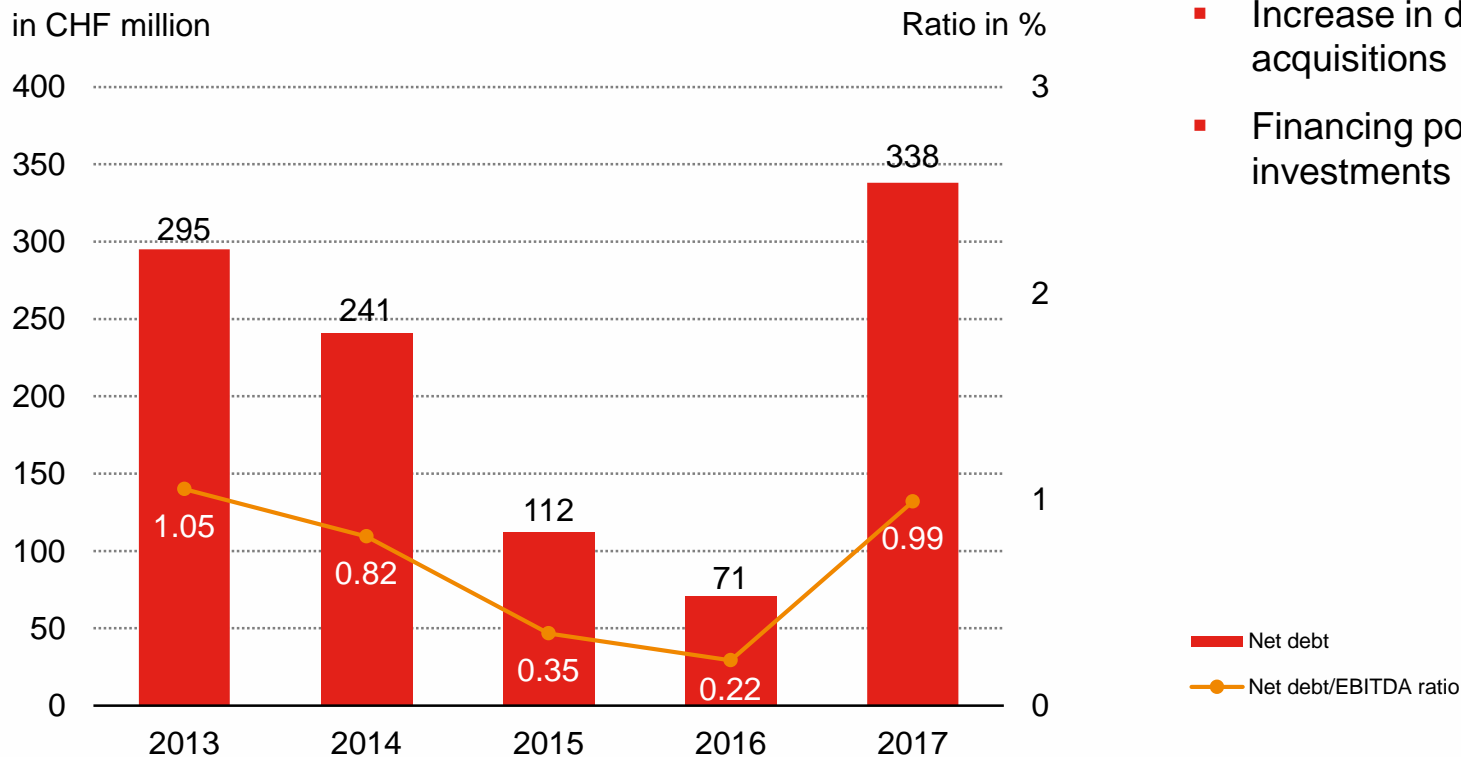
- Replacement of spraying tower (Dagmersellen, CH)
- Replacement of cooling generation/distribution in logistics (OM, CH)
- Tools for Aktifit bottles (Emmen, CH)
- Replacement of bottling line palletisation (Suhr, CH)

### Rationalisation investments (PY 24 %)

- Connection of palletising to cooling tunnel (Emmen, CH)
- Automation of fondue packaging (Langnau, CH)
- Enhancement of packaging lines (Kirchberg, CH)
- Automation of packaging line (Bettinehoeve, NL)

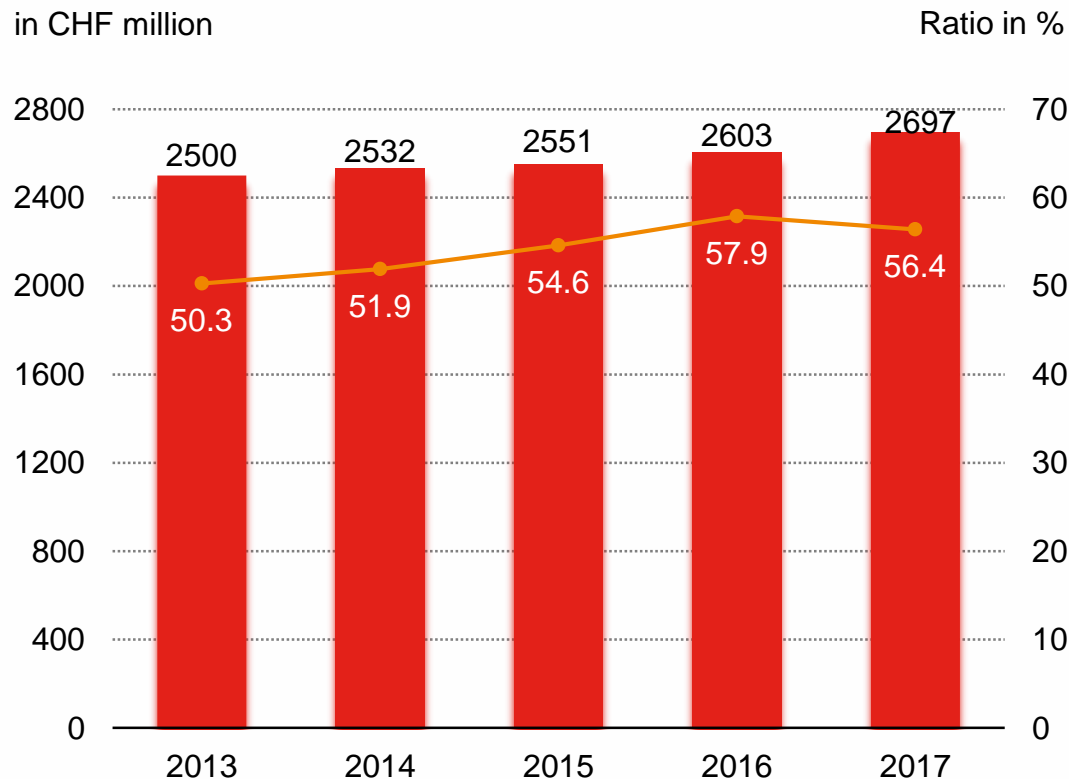
**Total investments 2017: CHF 99.1 million**

## Net debt/EBITDA



- Increase in debt ratio due to acquisitions
- Financing potential for additional investments is shown

## Equity ratio

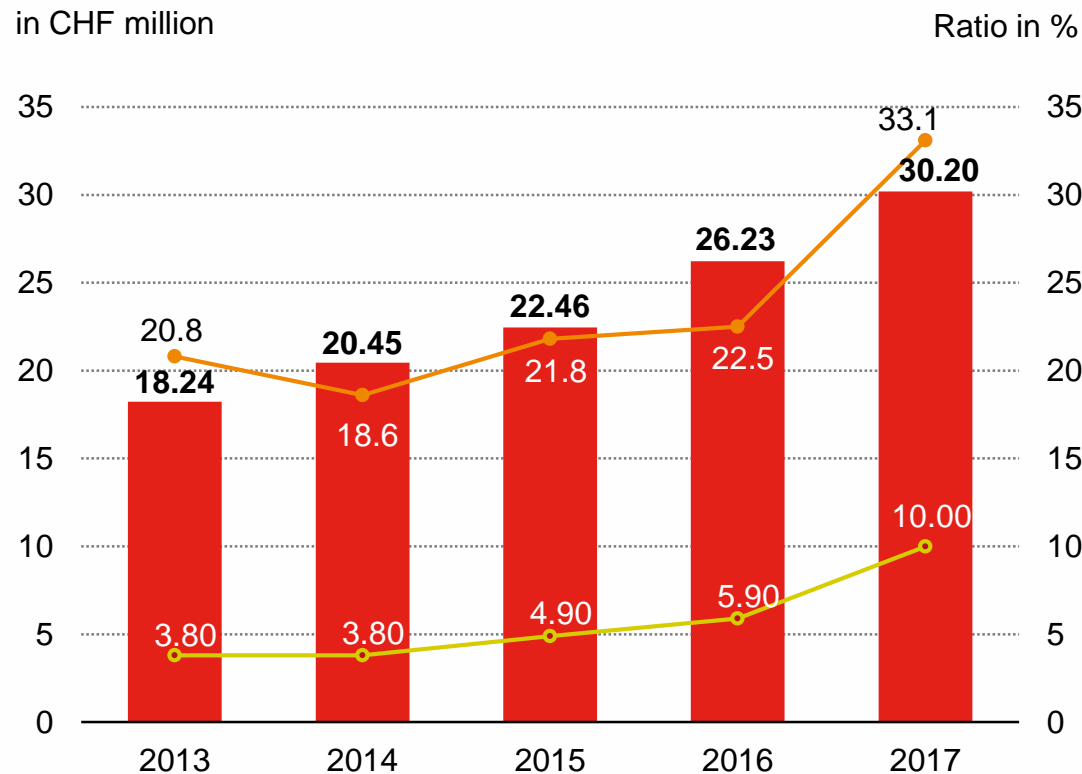


- Equity ratio lower due to acquisition of minority interests in Mittelland Molkerei AG
- Average invested capital: CHF 2,190 million (2016: CHF 2,054 million)
- Increase in returns on average invested capital (ROIC): 8.7 % (2016: 8.2 %)

■ Total assets in CHF million

● Equity ratio in %

## Dividend, dividend payout



- The Board of Directors is proposing to the General Meeting an increased dividend of CHF 10.00 (previous year: CHF 5.90), of which CHF 7.00 from capital contribution reserves.
- A CHF 3.00 share of the dividend is being considered as a special dividend (sale of stake in “siggi’s” & anniversary dividend) and will be paid from retained earnings.

■ EPS  
—●— Pay-out ratio in %  
—◆— Dividend



Welcome  
Konrad Graber, Chairman of the Board of Directors

Overview of financial year 2017  
Urs Riedener, CEO

Annual result 2017  
Jörg Riboni, CFO

**Success factors**  
**Urs Riedener, CEO**

Outlook  
Urs Riedener, CEO



## Emmi's strategic pillars

**Greater  
strength in  
Switzerland**

**International  
growth**

**Cost  
management**

Winzer  
cheese



SwissAlp  
cheese



KALTBACH  
Raclette



Lassi



Swiss  
Muesli



LUZERNER Yogodu



GALA  
Mousse



Emminent



Caffè Latte Zero



Energy Milk



Mozzarella



Yogi Drink



Tigre



LUZERNER-slices



KALTACH Extra



Caffè Latte Intenso



Milk Shake



Mozzarella Mini Marinati



Yogurt Milk



KALTBACH-Fondue



Fondue without alcohol



Caffè Latte  
Vanilla



GALA  
Sweet Pepper



KALTBACH  
Creamy



Mix-it  
Müesli



Chäs Schiibe  
(cheese slices)



Onken  
seasonal varieties



Jogurtpur



Caffè Latte  
Mr. Big



good day



KALTBACH  
single household  
portions



Chai Latte



Onken Müesli



Vitalait Dolce



Jogurtpur:  
New flavours



GALA herbs  
cucumber-dill



YoQua



Aktifit new varieties



Mozzarella  
Creminis



Energy Milk:  
new varieties



Jogurtpur:  
new varieties



YoQua:  
new varieties



Caffè Latte  
can



Energy Milk  
High Protein



Porridge



Gerber  
Grill Cheese



YoQua -50 %



Yum!



Zoë & Zazu



Ooola  
Secrets



Jogurtpur  
to go



## Innovation still a powerful asset for Emmi

### Switzerland

- Expansion of Ooola Secrets, Aktifit and Energy Milk brands
- Emmi Caffè Latte Mexico edition
- Various organic products to mark 25 years of Coop Naturaplan

### International

- US: Cheese snacks/small portions (cow's and goat's milk)
- Tunisia: Expansion of fat-free/low-fat range, various limited editions
- Spain: Expansion of “Kaiku sin lactosa” with high-protein yogurt



## Careful integration of new companies into the Emmi family



Italian Fresh Foods:  
Harnessing innovative strength, pooling resources

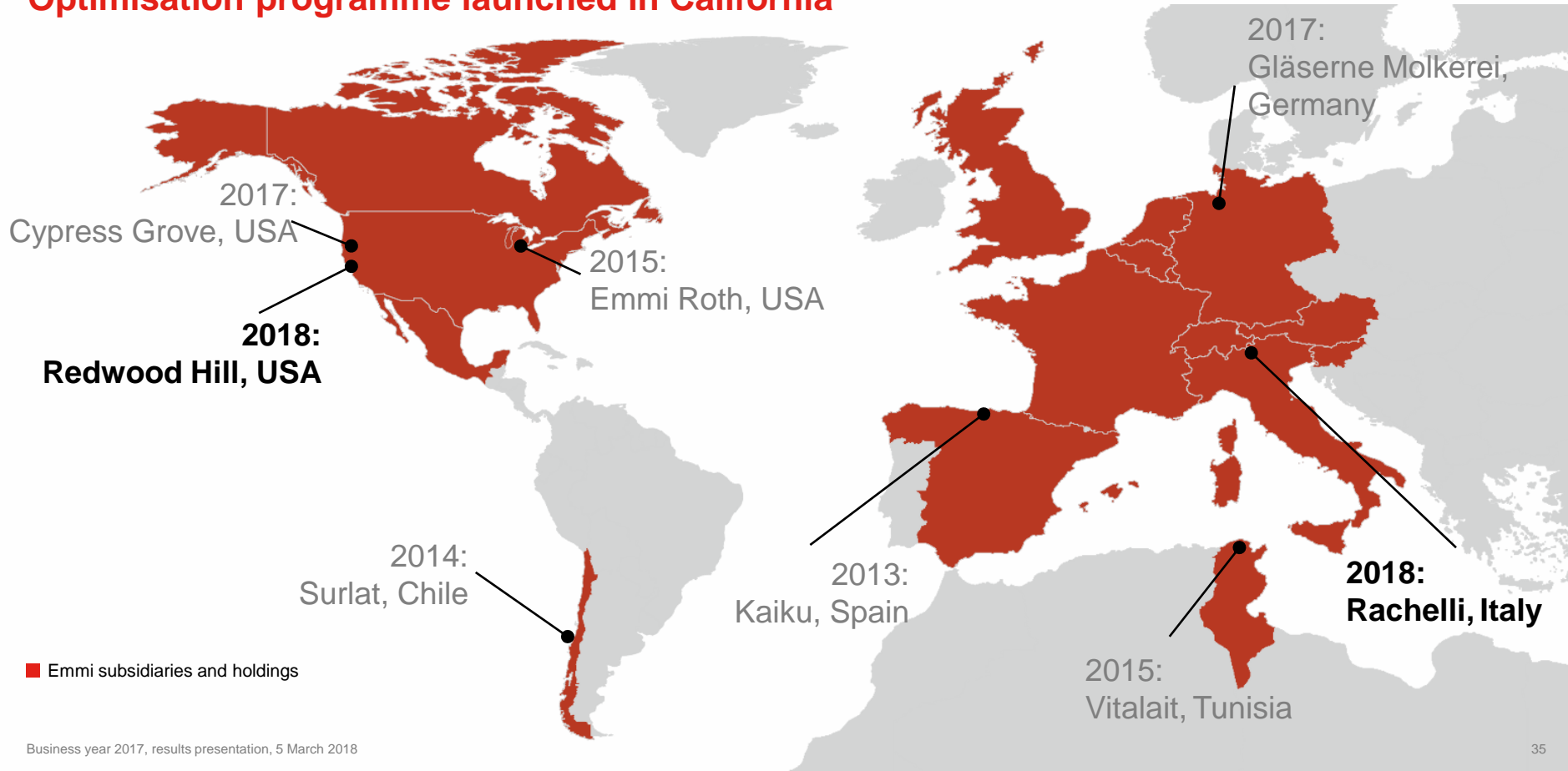


Brazil:  
Investments to create a strong foothold

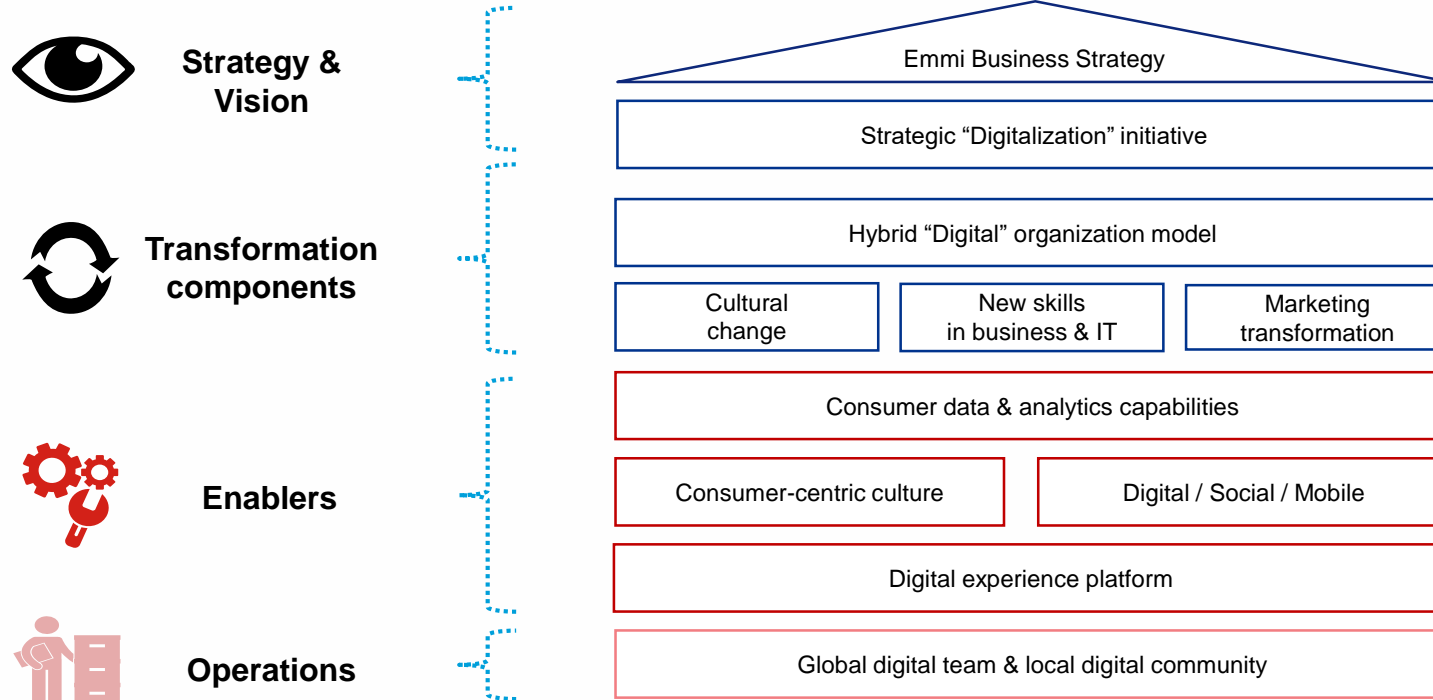


Mexideli:  
Consolidated since October 2017,  
future contribution to business division Americas

## Optimisation programme launched in California



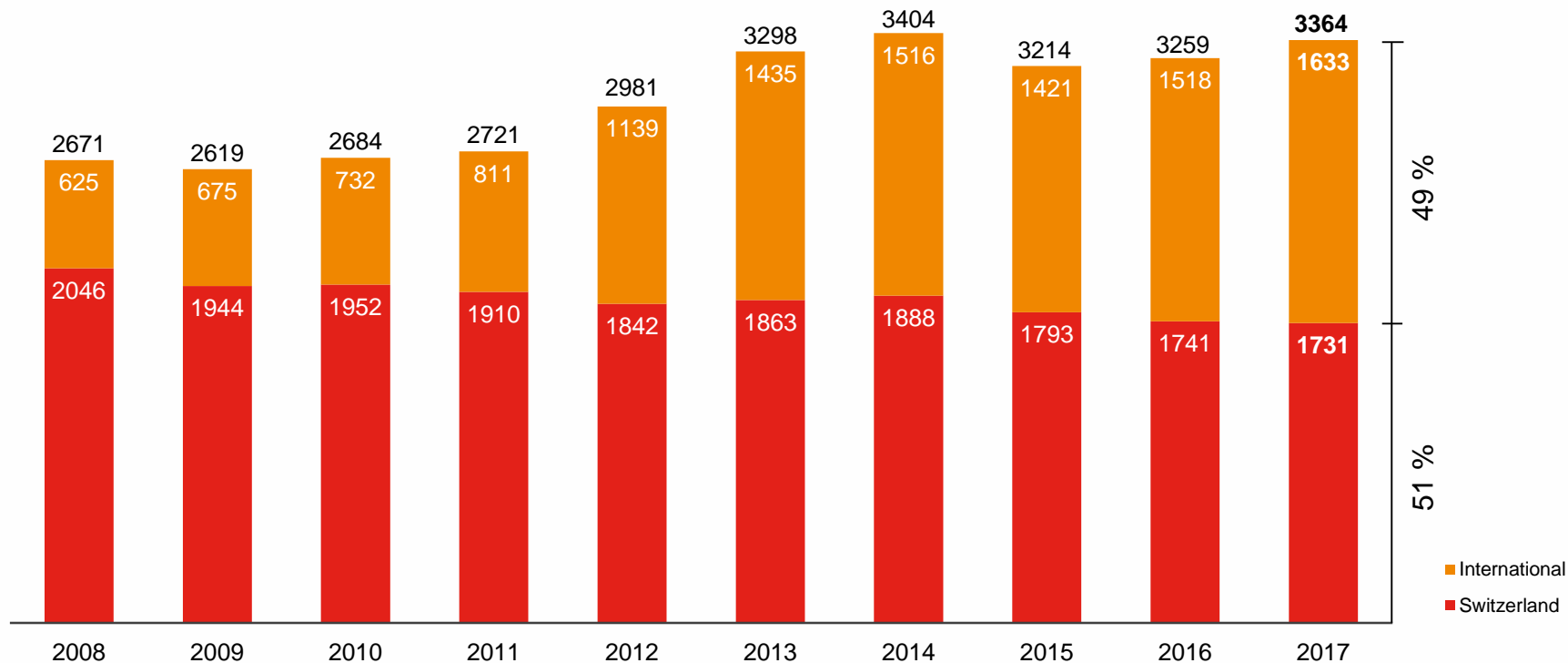
## A holistic view of how we transform our consumer experience management



## Influential factors

	Switzerland	International
Positive	<ul style="list-style-type: none"><li>▪ Innovations</li><li>▪ Brand development</li><li>▪ Established product concepts</li><li>▪ Operational Excellence</li><li>▪ <b>Benefits from SAP investment</b></li></ul>	<ul style="list-style-type: none"><li>▪ General global economic upswing</li><li>▪ Org. growth (Roth, Kaltbach, lactose-free products, Caffè Latte)</li><li>▪ Markets: USA, Tunisia, Chile</li><li>▪ Emmi Operational Excellence (Tunisia, Spain, USA, Chile, Italy)</li><li>▪ Growth in niches (USA, Europe)</li></ul>
Limiting	<ul style="list-style-type: none"><li>▪ Stagnating retail</li><li>▪ Significant price pressure</li><li>▪ High import pressure</li><li>▪ Consistently high retail tourism</li><li>▪ <b>Fluctuating exchange rates</b></li></ul>	<ul style="list-style-type: none"><li>▪ Volume loss for interchangeable products</li><li>▪ Currency trends, e.g. in Tunisia</li><li>▪ Impact of Brexit</li><li>▪ <b>Volatility of milk prices</b></li></ul>

## Share of international business in sales likely to rise above 50 % in 2018





Welcome  
Konrad Graber, Chairman of the Board of Directors

Overview of financial year 2017  
Urs Riedener, CEO

Annual result 2017  
Jörg Riboni, CFO

Success factors  
Urs Riedener, CEO

**Outlook**  
**Urs Riedener, CEO**

## Growth targets largely in line with medium-term forecasts



### Organic growth, income targets

Sales Group	1.5 % to 3 %
Sales Switzerland	0 % to 0.5 %
Sales Americas	4 % to 6 %
Sales Europe	1 % to 3 %
EBIT in CHF million	205 to 215
Net profit margin*	4.5 % to 5.0 %

(Figures assume constant exchange rates and raw milk prices)

\*Net profit margin excluding non-recurring effects

## Net profit margin to be adjusted upwards



Organic growth, income targets	
Sales Group	2 % to 3 %
Sales Switzerland	0 % to 1 %
Sales Americas	4 % to 6 %
Sales Europe	1 % to 3 %
Net profit margin	4.5 % to 5.0 %

(Figures assume constant exchange rates and raw milk prices)

## Questions & Answers



## Appendix



## Majority stake in trading company Mexideli, Mexico (October 2017)



- Product portfolio
  - Swiss cheese
  - Other European premium cheeses
  - Desserts
  - Other premium food
- Sales full-year 2017
  - CHF 60 million
- Employees
  - 250

## 40 % stake in Laticínios Porto Alegre (August 2017)



- Product portfolio
  - Cheese
  - Fresh cheese
  - UHT milk
  - Butter
  - Milk and whey powder
- Sales full-year 2017
  - CHF 150 million
- Employees
  - 1,000



## Italian Fresh Foods, Italy (March 2017)



- Product portfolio
  - Italian dessert specialties (e.g. Tiramisu, Panna Cotta, Tartufo, Profiteroles etc.)
- Sales full-year 2017
  - CHF 30 million
- Employees
  - 90



## Jackson Mitchell “Meyenberg”, USA (January 2017)



- Product portfolio (all goat)
  - Fresh milk
  - Condensed milk
  - Milk powder
- Sales full-year 2017
  - CHF 30 million
- Employees
  - 30

## 80 % stake in Lácteos Caprinos, Spain (January 2017)



- Product portfolio
  - Goat's milk fresh cheese
  - Curd (semi-finished product for goat's cheese production)
- Sales full-year 2017
  - CHF 13 million
- Employees
  - 35