



## **Emmi Group**

### **Results for the first half of 2018**

Lucerne, 29 August 2018



## Overview of the first half of 2018

Results for the first half of 2018

Focus on the second half of the year and outlook

## Pleasing sales, stable EBIT margin

- Net sales CHF 1,675 million
  - Growth of 4.7 %  
(organic: growth of 2.4 %)
- EBIT CHF 95.0 million
  - Increase of 5.1 %
  - EBIT margin 5.7 % (1HY17: 5.7 %)
- Net profit (adjusted) CHF 72.1 million\*
  - Increase of 9.2 %
  - Net profit margin 4.3 % (1HY17: 4.1 %)
- Net profit (published) CHF 129.0 million
  - Increase of 95.5 %
  - Net profit margin 7.7 % (1HY17: 4.1 %)

\* Net profit adjusted for the non-recurring effect from the disposal of the 22.1 % share in "siggi's" amounting to CHF 56.9 million.



## Europe markedly above expectations, Switzerland and Americas as forecasted



### Switzerland

- Sales CHF 830 million
  - Decline of 0.9 % (organic: growth of 0.5 %)

### Americas

- Sales CHF 502 million
  - Growth of 13.5 % (organic: growth of 5.6 %)

### Europe

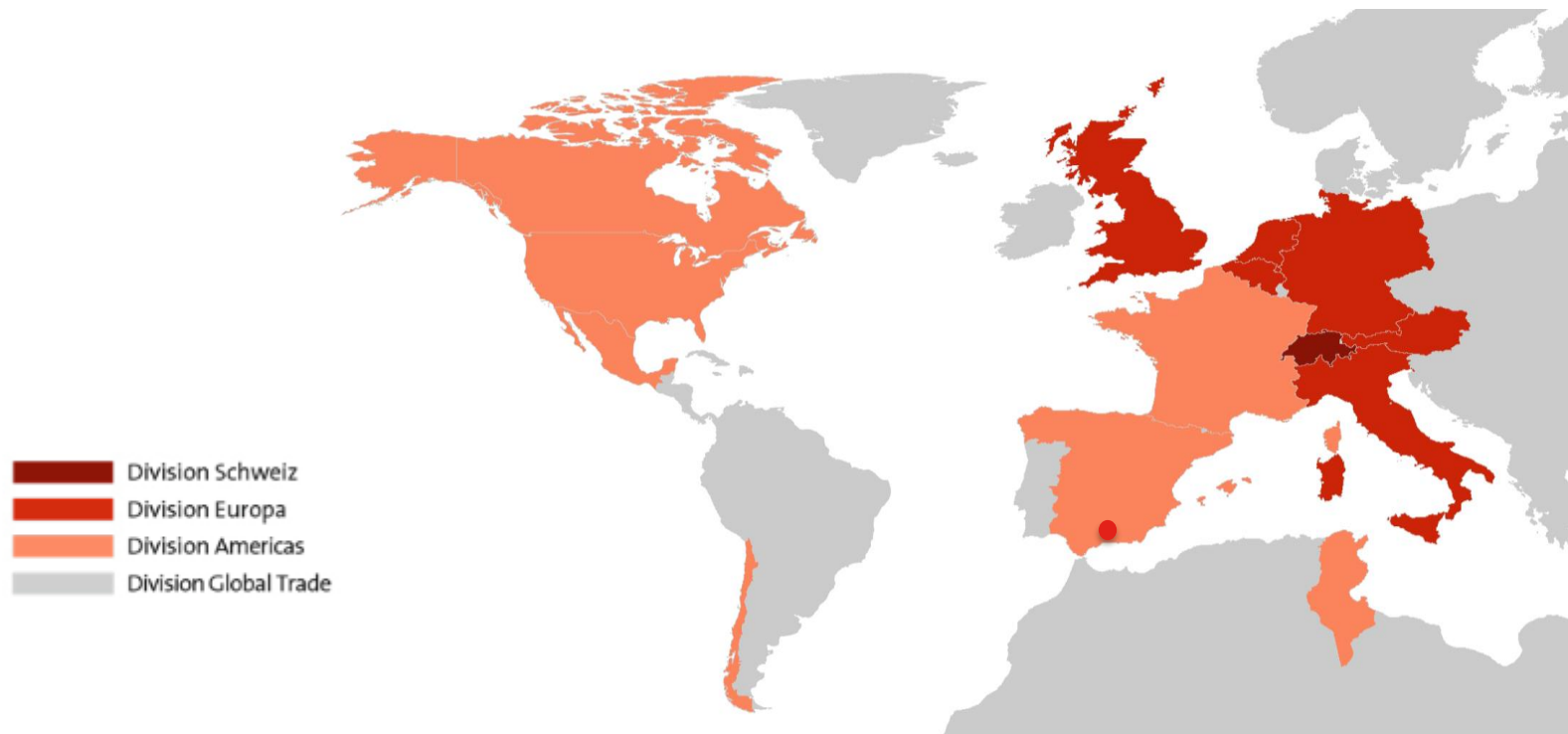
- Sales CHF 288 million
  - Growth of 10.9 % (organic: growth of 5.8 %)

### Global Trade

- Sales CHF 55 million
  - Decline of 9.5 % (organic: decline of 9.0 %)

organic = adjusted for currency and acquisition effects

## Country overview







## Positive sales trend despite ongoing high price pressure



- Ongoing significant competitive pressure, especially in Switzerland
- Increased cheese imports to Switzerland (+3.2 %; source: TSM Treuhand)
- Growth in cheese exports, e.g. to the USA and Germany
- Pleasing sales growth in the business divisions Americas and Europe

# Key events in the first half of 2018



**Increase in the stake in Vitalait**

FEBRUARY



**Collaboration with mymuesli**

APRIL

**No. 3 for soft drinks in Switzerland**



JUNE

JANUARY

**Sale of the stake in siggi's**



MARCH

**Wind of change in the BoD**



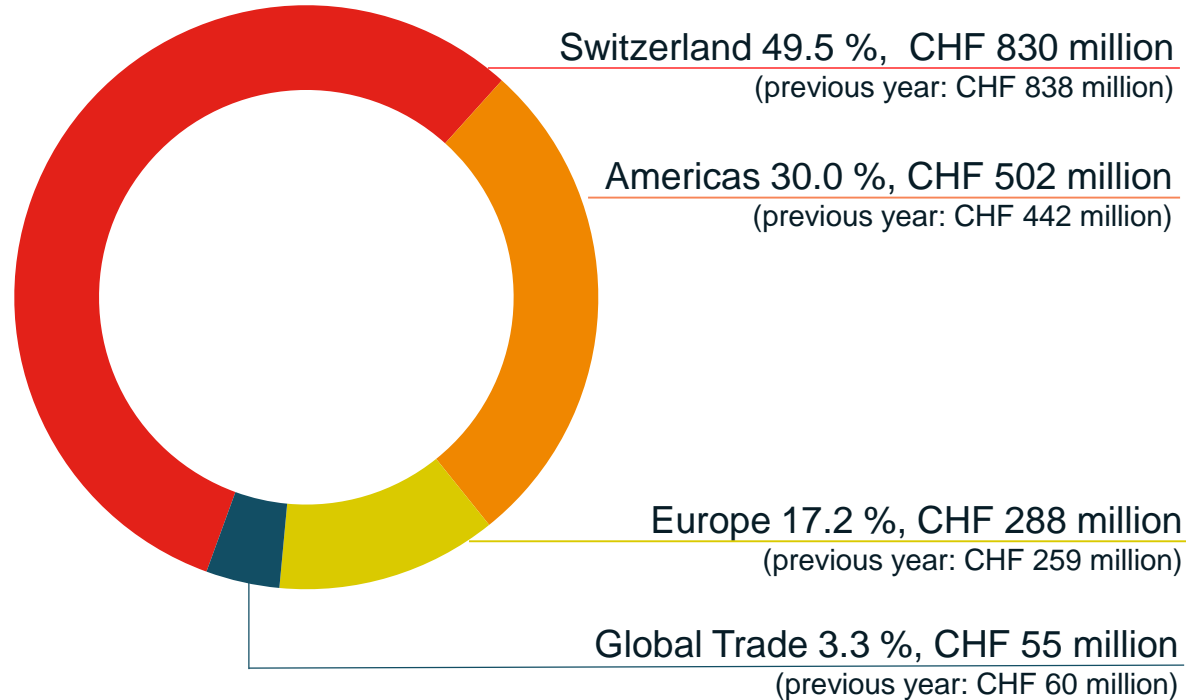
MAY

**10 years EOE**





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



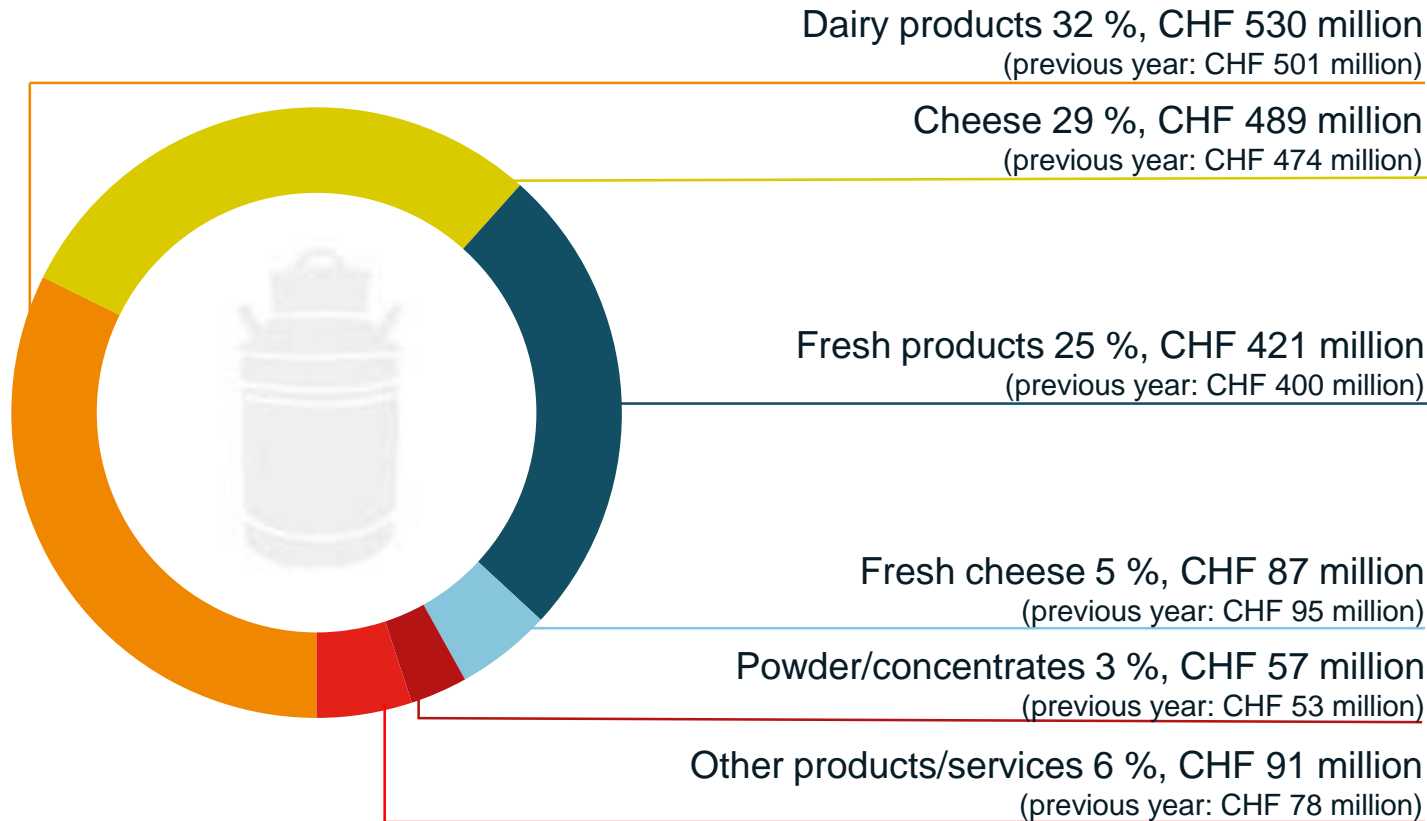
## Top 5, sales:

- Switzerland
- USA
- Spain
- Germany
- Tunisia





## Shares of the three largest segments nearly unchanged



## Acquisitions in 2017/2018 that affected sales

### Positive acquisition effects:



Italian Fresh Foods, Italy  
1 March 2017

- Dessert specialities



Mexideli, Mexico  
8 October 2017

- Trade with premium products

### Negative acquisition effects:



Partial sale of  
trading goods business\*, CH  
1 January 2018

- Primarily fresh and natural cheese



Venchiaredo, Italy  
31 July 2017  
Disposal of stake, transfer of sales

- Fresh cheese

\* As part of the acquisition of the Kirchberg cheese centre in 1998, Emmi took over a trading goods business from Coop. The part of this business through which Coop maintains direct relationships with suppliers has now been sold back to Coop.

## Higher adjusted net profit margin

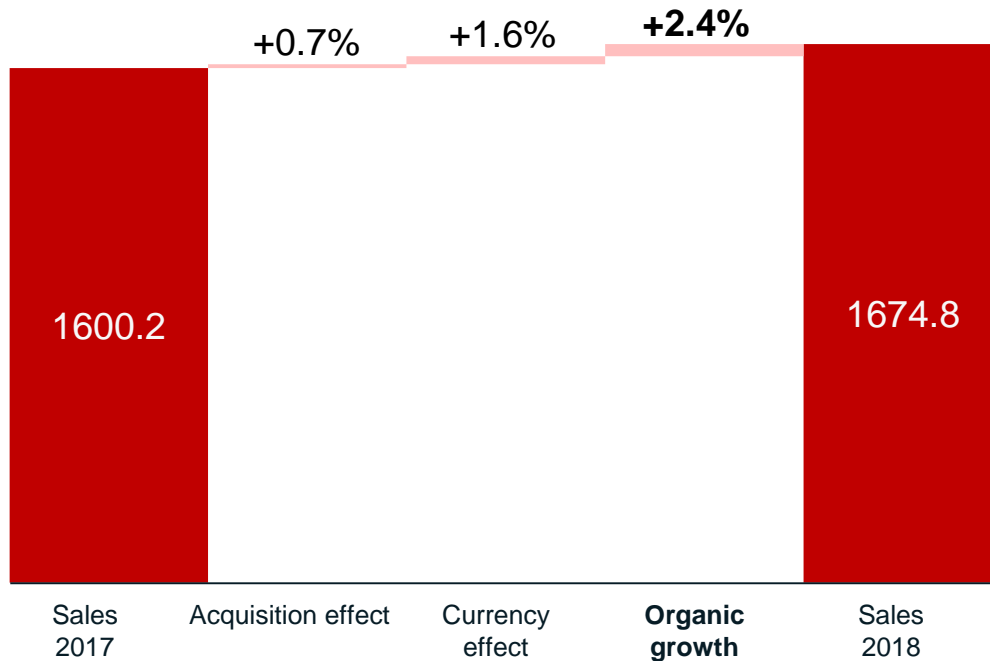
	1HY18 adjusted*	1HY17	1HY16	1HY15*	1HY14*
Net sales	<b>1,675</b>	1,600	1,594	1,563	1,625
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	<b>162.7</b>	156.6	153.3	142.5	132.7
as % of net sales	<b>9.7</b>	9.8	9.6	9.1	8.2
Earnings before interest and taxes (EBIT)	<b>95.0</b>	90.4	92.5	84.9	74.3
as % of net sales	<b>5.7</b>	5.7	5.8	5.4	4.6
Net profit	<b>72.1</b>	66.0	60.8	46.6	45.2
as % of net sales	<b>4.3</b>	4.1	3.8	3.0	2.8
Headcount (full-time equivalents) as at 30.6.	<b>6,146</b>	5,940	5,750	5,307	5,266

\* Adjusted for non-recurring effects



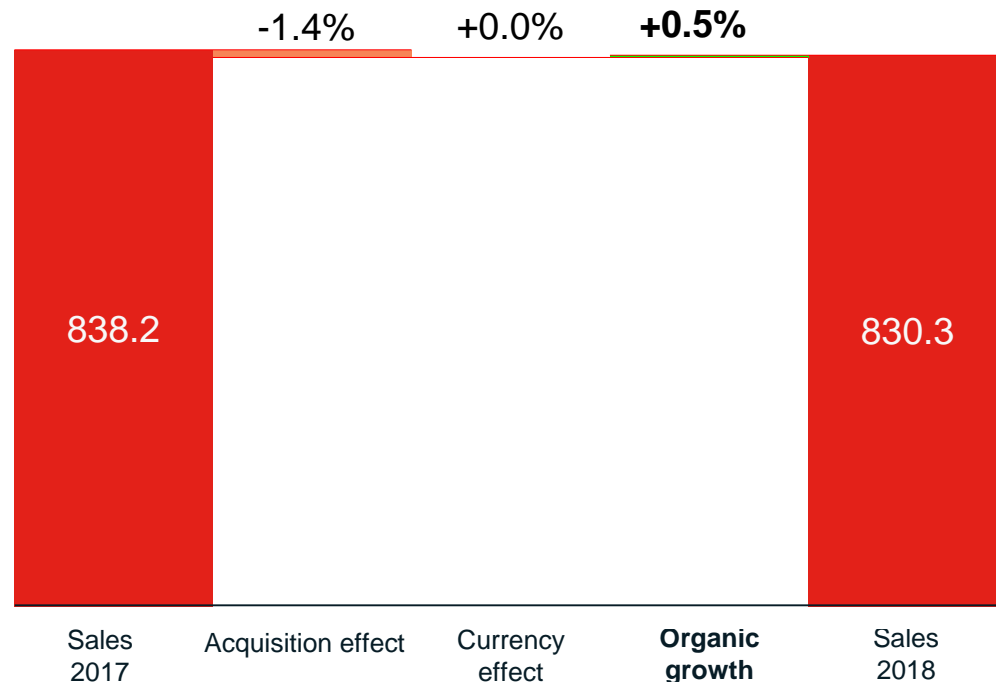
## Group growth 4.7 %, organic growth 2.4 %

Group sales in CHF million



## Swiss business posts slight organic growth

Sales Switzerland in CHF million



### Dairy products

**Sales CHF 327.8 million, +4.8 %**

- Positive price effect thanks to higher milk prices

### Cheese

**Sales CHF 207.8 million, -5.2 % (org. -2.4 %)**

- Additional growth in speciality cheese
- Declining AOP sales
- Increase in cheese imports to Switzerland (+3.2 %)
- Divestment effect due to the sale of part of the trading goods business

### Fresh products

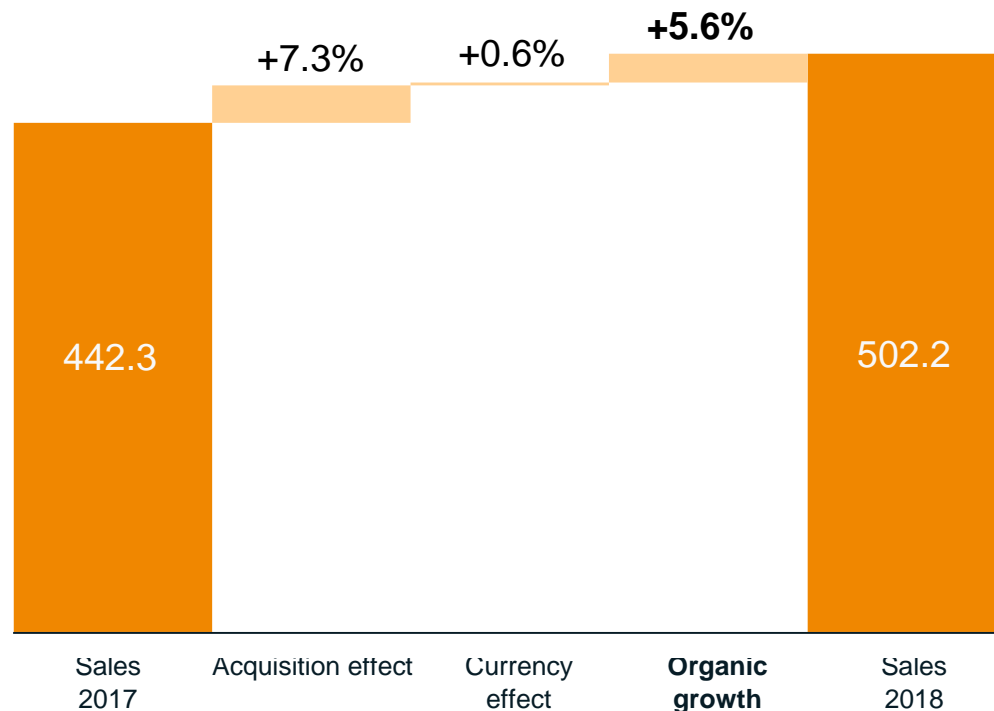
**Sales CHF 171.8 million, -2.0 %**

- Higher sales in Caffè Latte, protein drinks and Jogurtpur
- Decline in private yogurt labels and Yoqua



## Significant growth in Tunisia, Chile and the USA

Sales Americas in CHF million



### Cheese

**Sales CHF 199.7 million, +10.7 % (org. +3.7 %)**

- Growth in locally produced cow's milk cheese
- More exports of Le Gruyère AOP
- Goat's milk cheese stagnating
- Positive acquisition effects: Mexideli

### Dairy products

**Sales CHF 142.1 million, +9.1 % (org. +7.9 %)**

- Growth in Tunisia and Chile
- Positive acquisition effects: Mexideli

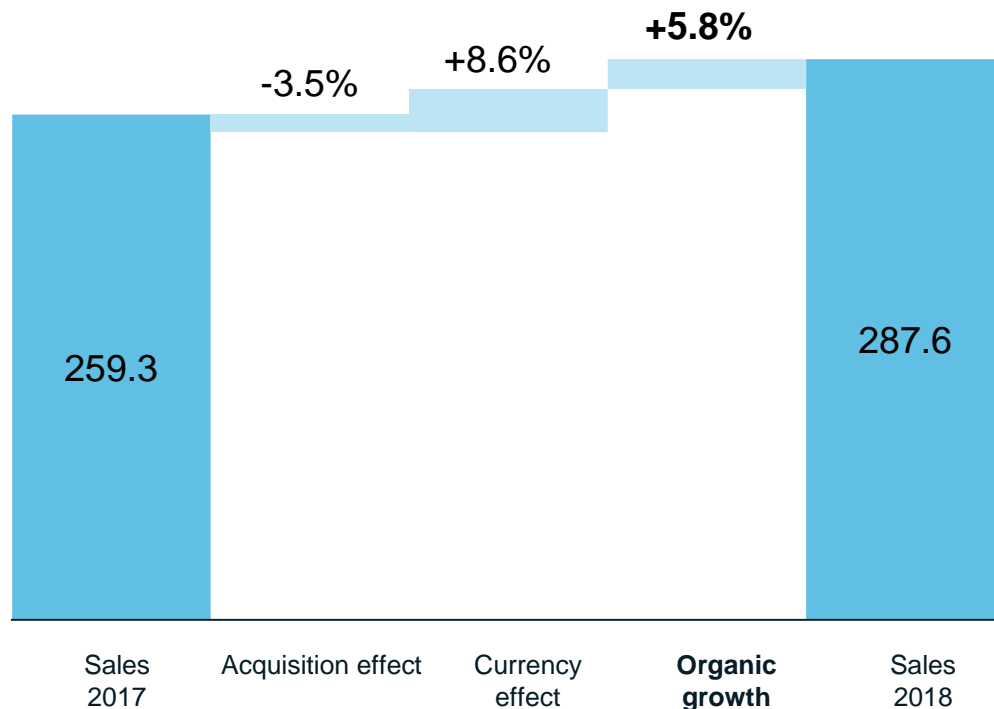
### Fresh products

**Sales CHF 103.9 million, +6.9 % (org. +4.0 %)**

- Growth in Tunisia and the USA (Redwood Hill)
- Spain: Emmi Caffè Latte stagnating, decline in private labels
- Positive acquisition effects: Mexideli

## Sales growth exceeds expectations

Sales Europe in CHF million



### Fresh products

**Sales CHF 124.8 million, +18.1 % (org. +5.7 %)**

- Growth in the Italian dessert business
- Strong Caffè Latte sales in the UK, Germany and Austria
- Slight decline in sales for Onken
- Positive acquisition effects: Italian Fresh Foods

### Dairy products

**Sales CHF 57.8 million, +16.6 % (org. +7.3 %)**

- Pleasing growth at Gläserne Molkerei

### Cheese

**Sales CHF 57.5 million, +7.7 % (org. -0.8 %)**

- Additional growth of Kaltbach cheese in Germany
- Hot weather stifles sales



Overview of the first half of 2018

**Results for the first half of 2018**

Focus on the second half of the year and outlook

## Stable gross profit margin

in CHF million	1HY18	1HY17	Δ in %
Net sales	1,674.8	1,600.2	4.7
Gross profit	604.5	577.1	4.8
as % of net sales	36.1	36.1	

- Stable gross profit margin thanks to:
  - The strengthening of key brand concepts, e.g. Caffè Latte
  - Growth in the high-margin dessert business
  - Productivity increases
- Ongoing pressure on prices

## Stable operating margins

in CHF million	1HY18	1HY17	Δ in %
Net sales	<b>1,674.8</b>	1,600.2	4.7
Gross profit	<b>604.5</b>	577.1	4.8
as % of net sales	<b>36.1</b>	36.1	
Operating expenses	<b>-443.4</b>	-422.3	5.0
as % of net sales	<b>26.5</b>	26.4	
EBITDA	<b>162.7</b>	156.6	3.9
as % of net sales	<b>9.7</b>	9.8	
Depreciation and amortisation	<b>-67.8</b>	-66.3	2.2
<b>EBIT</b>	<b>95.0</b>	<b>90.4</b>	<b>5.1</b>
as % of net sales	<b>5.7</b>	5.7	

- Stable gross profit, EBITDA and EBIT margins
- Increase in operating expenses slightly disproportionate
  - One reason is rising inflation in several markets



## Higher operating expenses primarily due to higher personnel and logistics expenses

in CHF million	1HY18	1HY17	Δ in %
Personnel expenses	<b>232.1</b>	221.0	5.0
as % of net sales	<b>13.9</b>	13.8	
Marketing and sales-related expenses	<b>63.2</b>	59.2	6.9
as % of net sales	<b>3.8</b>	3.7	
Occupancy expense, maintenance & repair, leasing	<b>33.9</b>	31.2	8.9
Energy, operating material and supplies	<b>31.3</b>	32.1	-2.6
Logistics expenses	<b>51.5</b>	46.3	11.3
Other operating expenses	<b>31.4</b>	32.5	-3.4
<b>Operating expenses</b>	<b>443.4</b>	<b>422.3</b>	<b>5.0</b>
as % of net sales	<b>26.5</b>	<b>26.4</b>	

- Increase in personnel expenses largely in line with sales development
- Additional sales-related expenses support sales growth
- Higher logistics expenses due to higher volumes and rising transportation costs

## Higher adjusted net profit margin due to lower tax rate and financing costs

in CHF million	1HY18 published	1HY18 adjusted*	1HY17	Δ
EBIT	95.0	95.0	90.4	4.6
Income from associated companies	76.8	-1.4	0.9	-2.3
Financial result	-3.2	-3.2	-7.2	4.0
Earnings before taxes (EBT)	168.7	90.4	84.1	6.3
Income taxes	-35.8	-14.5	-15.1	0.7
Average tax rate in %	21.2	16.0	18.0	
Minority interests	-3.9	-3.9	-3.0	-0.9
<b>Net profit</b>	<b>129.0</b>	<b>72.1</b>	<b>66.0</b>	<b>6.1</b>
as % of net sales	7.7	4.3	4.1	

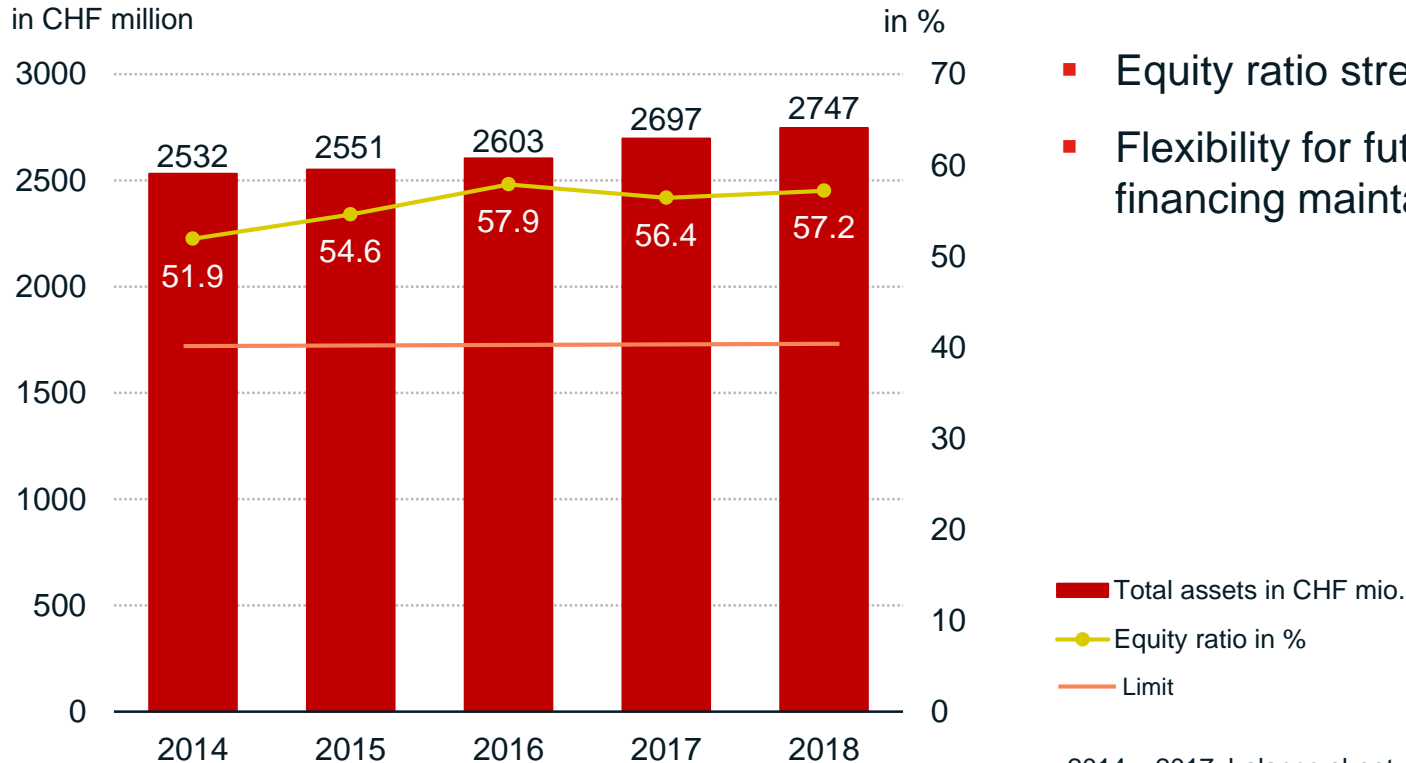
- Adjusted average tax rate of 16.0 % (first half-year 2017: 18.0 %)
- Improved financial result due to successful refinancing in financial year 2017

\* Adjusted for non-recurring effects

## Strong free cash flow

in CHF million	1HY18	1HY17	Δ
<b>Cash flow from operating activities</b>	<b>119.9</b>	<b>113.6</b>	<b>6.3</b>
Investments in tangible assets	-26.8	-42.5	15.7
Investments in intangible assets	-1.9	-1.7	-0.2
Other investing activities	3.1	11.2	-8.1
<b>Free cash flow</b>	<b>94.3</b>	<b>80.6</b>	<b>13.7</b>
Cash flow from acquisition activities	64.7	-260.0	324.7
Cash flow from financing activities and impact of currency translation	-41.1	31.6	-72.7
<b>Net change in cash and cash equivalents</b>	<b>117.9</b>	<b>-147.8</b>	<b>265.7</b>

## High equity ratio

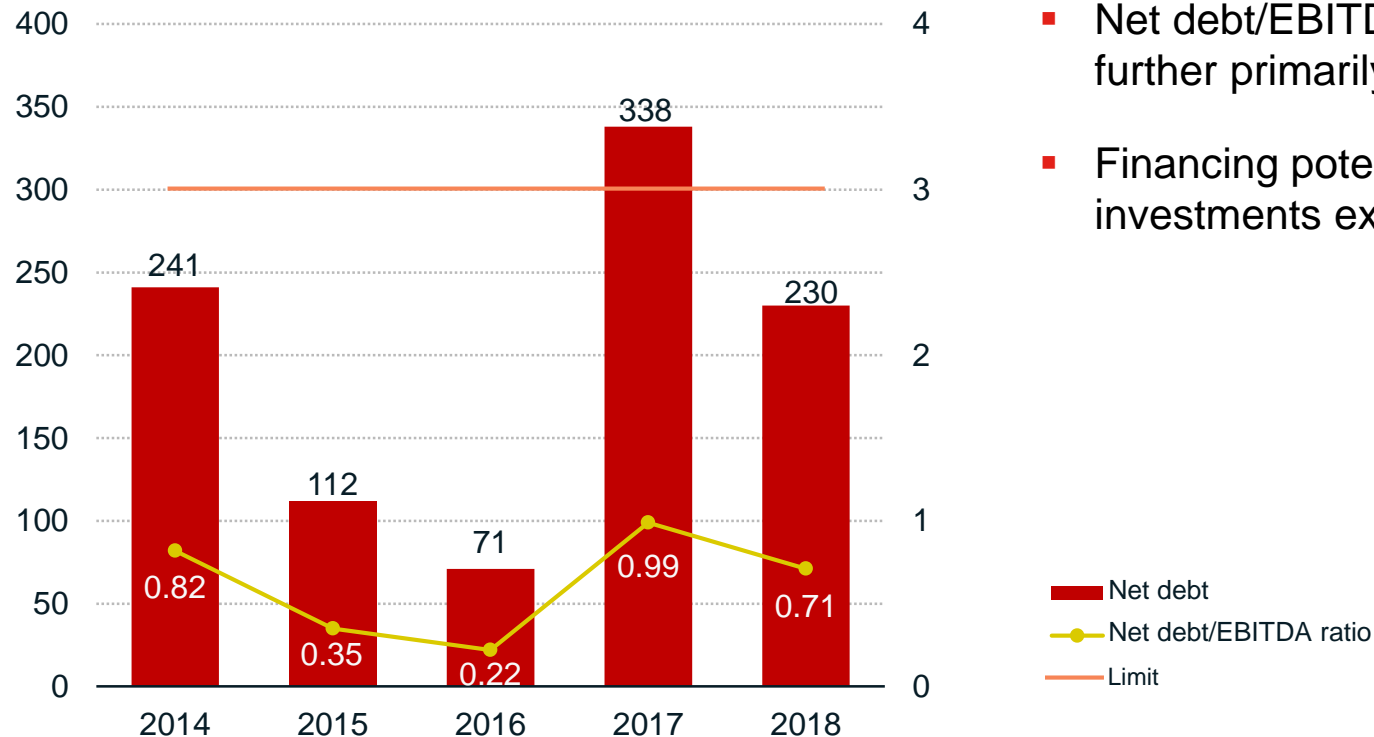


- Equity ratio strengthened further
- Flexibility for future external financing maintained

2014 – 2017: balance sheet date as of year-end;  
2018: balance sheet date 30 June

## Net debt/EBITDA

in CHF million



- Net debt/EBITDA ratio dropped further primarily due to “siggi’s”
- Financing potential for further investments exists

2014 – 2017: balance sheet date as of year-end;  
2018: balance sheet date 30 June





Overview of the first half of 2018

Results for the first half of 2018

**Focus on the second half of the year and outlook**

## High protein, organic and lactose-free remain key trends



Kaiku:  
Vegan range  
based on almond milk



Emmi:  
Yoqua  
high protein, low carb



Gläserne Molkerei:  
Organic yogurt  
free from additives



Emmi:  
Energy Milk Pudding  
low carb, lactose free



Emmi:  
Repackaging of entire range  
Launch of Engadiner Bergkäse



## 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



## Influential factors

	Switzerland	International
<b>Positive</b>	<ul style="list-style-type: none"><li>▪ Innovations</li><li>▪ Brand development</li><li>▪ Established product concepts</li><li>▪ Emmi Operational Excellence</li><li>▪ Benefit from SAP investment</li></ul>	<ul style="list-style-type: none"><li>▪ Org. growth e.g. Roth, Kaltbach, Caffè Latte</li><li>▪ Markets: USA, Tunisia, Chile, Mexico</li><li>▪ Growth in niches</li><li>▪ Emmi Operational Excellence (Tunisia, Spain, USA, Chile, Italy)</li><li>▪ Growing global economy</li></ul>
<b>Limiting</b>	<ul style="list-style-type: none"><li>▪ Strong price pressure</li><li>▪ High import pressure</li><li>▪ Ongoing high level of retail tourism</li><li>▪ Declining trend in traditional retail business</li><li>▪ Effects of the unusually hot summer</li></ul>	<ul style="list-style-type: none"><li>▪ Drop in volume of interchangeable products</li><li>▪ Currency developments, e.g. in Tunisia</li><li>▪ Rising milk prices</li><li>▪ Rising inflation on a broad scale</li><li>▪ Significant upheavals due to the Brexit effect</li></ul>



## Emmi on track to achieve growth and earnings targets

### Organic growth, earnings targets

Sales Group	1.5 % to 3 %
-------------	--------------

Sales business division Switzerland	0 % to 0.5 %
-------------------------------------	--------------

Sales business division Americas	4 % to 6 %
----------------------------------	------------

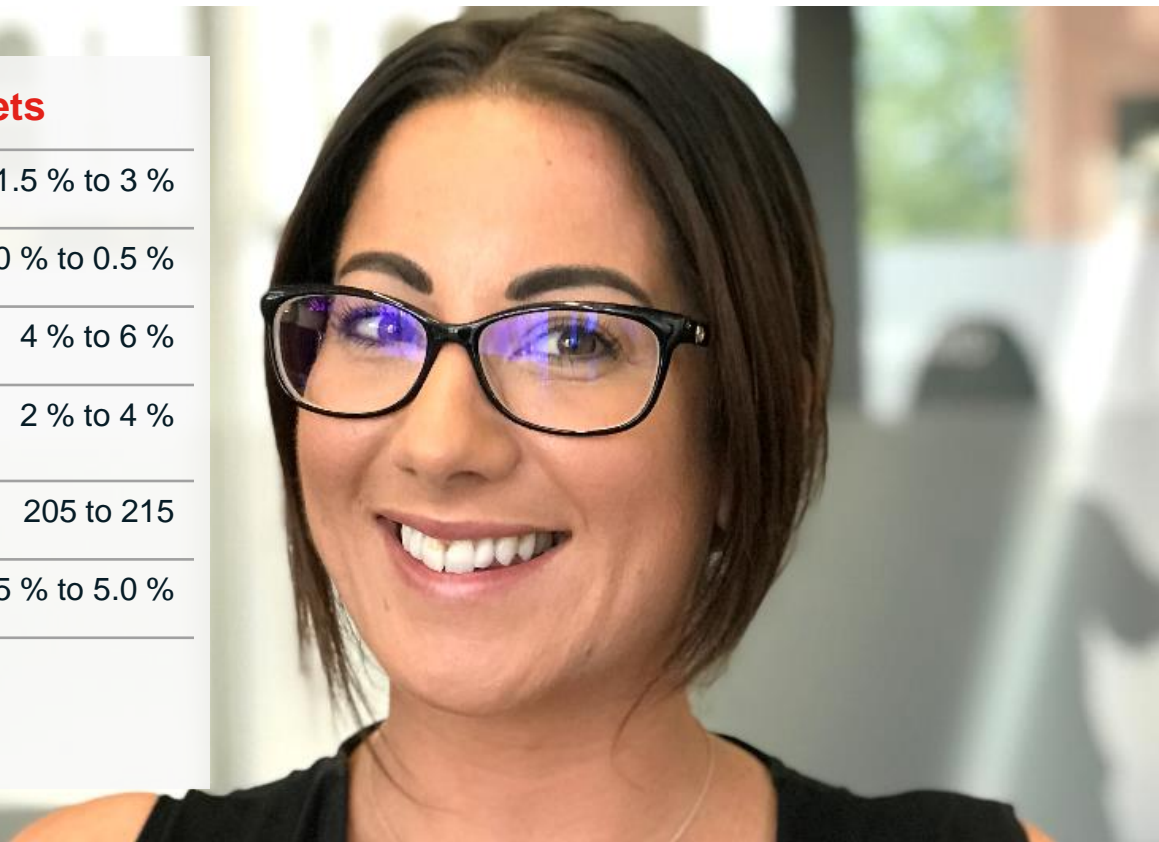
Sales business division Europe (previously 1 % to 3 %)	2 % to 4 %
---	------------

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





## Organic growth, earnings targets

Sales Group	2 % to 3 %
Sales business division Switzerland	0 % to 1 %
Sales business division Americas	4 % to 6 %
Sales business division Europe	1 % to 3 %
Net profit margin	4.5 % to 5.0 %

(Figures assume constant exchange rates and raw milk prices)





The people depicted in the presentation are employees in Emmen, Lucerne, Suhr, London (UK), Arcata (USA) and Mahdia (Tunisia). They represent all our employees, who work hard every day to ensure Emmi can continue to grow and achieve its targets. We are proud of them.