



**Emmi Group**

**Financial year 2018  
Results presentation**

**Lucerne, 28 February 2019**



## About the photographs

Sustainability efforts are part of Emmi's daily life.

Decisions taken today will primarily affect future generations. With this in mind, Emmi asked young people what is important to them. Their views are represented by six children whose fathers or mothers work for Emmi. Find out what they had to say in the Download Center at <https://report.emmi.com/en/>





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

Overview of financial year 2018  
Urs Riedener, CEO

Annual results 2018  
Jörg Riboni, CFO

Success factors  
Urs Riedener, CEO

Outlook  
Urs Riedener, CEO

## Business division Switzerland

- Organic growth of 0.6 %
- Strong brand concepts to cope with import pressure

## Business division Americas

- Dynamic sales performance in Tunisia, Mexico and Chile
- Higher sales in the US, especially cow's milk cheese (locally produced and exported from Switzerland)

## Business division Europe

- Growth in niches (e.g. desserts, goat's milk products)
- Growth in Caffè Latte and Kaltbach
- AOP cheese still under pressure





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# Milestones January to April 2018: raising the stakes



**Increased  
stake in  
Vitalait**



**Extension of  
“High Protein”  
product range**



**Membership of  
Soy Network  
Switzerland**



**New members  
of the Board  
of Directors**

# Milestones May to August 2018: a remarkable summer



**Ten years of  
Operational  
Excellence**



**All 40 Emmi  
apprentices pass  
their final exam**

MAY

JUNE

JULY

AUGUST



**A perfect  
summer**



**New  
Emmi vision**



**From the  
Engadin valley  
to Kaltbach**



**Emmi Group  
wins  
17 awards**



**“Goat milk  
Goodness”**



**Farmer  
ambassadors:  
the winners**





Jörg Riboni will leave Emmi  
at the end of April 2019



Ricarda Demarmels will join  
Emmi in June 2019

## Pleasing sales and profit growth

- Net sales CHF 3,457.4 million  
Increase of 2.8 %  
(organic: +2.3 %)
- EBIT CHF 216.7 million  
Increase of 5.3 %
  - EBIT margin 6.3 %  
(2017: 6.1 %)
- Net profit CHF 233.3 million
- Adjusted net profit CHF 175.5 million  
Increase of 8.6 %
- Adjusted net profit margin 5.1 %  
(2017: 4.8 %)



## Business division Americas breaks the billion-franc mark

### Switzerland

- Sales CHF 1,713.2 million
  - Decline of 1.0 % (organic: +0.6 %)

### Americas

- Sales CHF 1,044.3 million
  - Growth of 10.0 % (organic: +5.6 %)

### Europe

- Sales CHF 593.3 million
  - Growth of 5.2 % (organic: +4.4 %)

### Global Trade

- Sales CHF 106.6 million
  - Decline of 10.9 % (organic: -10.4 %)



## The three biggest product groups account for 87 % of sales

Cheese 31 %, CHF 1,074 million  
(previous year: CHF 1,054 million)

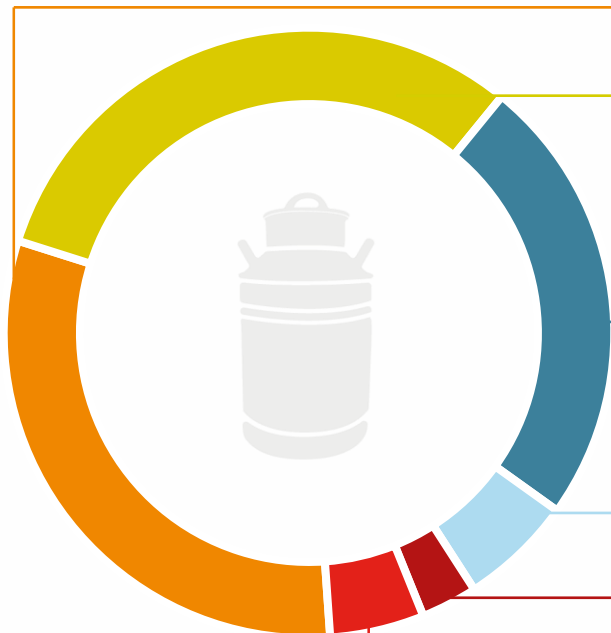
Dairy products 31 %, CHF 1,072 million  
(previous year: CHF 1,047 million)

Fresh products 25 %, CHF 852 million  
(previous year: CHF 811 million)

Fresh cheese 5 %, CHF 172 million  
(previous year: CHF 181 million)

Powder/concentrates 3 %, CHF 109 million  
(previous year: CHF 114 million)

Other products/services 5 %, CHF 179 million  
(previous year: CHF 158 million)



## Largest increase in sales since 2014, pleasing increase in EBITDA and EBIT margins

| in CHF million  | 2018** | 2017  | 2016  | 2015  | 2014* |
|---|--------|-------|-------|-------|-------|
| Net sales   | 3,457  | 3,364 | 3,259 | 3,214 | 3,404 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | 352.8  | 340.7 | 328.2 | 314.9 | 293.1 |
| as % of net sales   | 10.2   | 10.1  | 10.1  | 9.8   | 8.6   |
| Earnings before interest and taxes (EBIT)                               | 216.7  | 205.8 | 202.7 | 188.9 | 170.7 |
| as % of net sales   | 6.3    | 6.1   | 6.2   | 5.9   | 5.0   |
| Net profit  | 175.5  | 161.6 | 140.3 | 120.2 | 109.4 |
| as % of net sales   | 5.1    | 4.8   | 4.3   | 3.7   | 3.2   |
| Headcount (full-time equivalents) as at 31.12.                          | 6,151  | 6,147 | 5,779 | 5,405 | 5,305 |

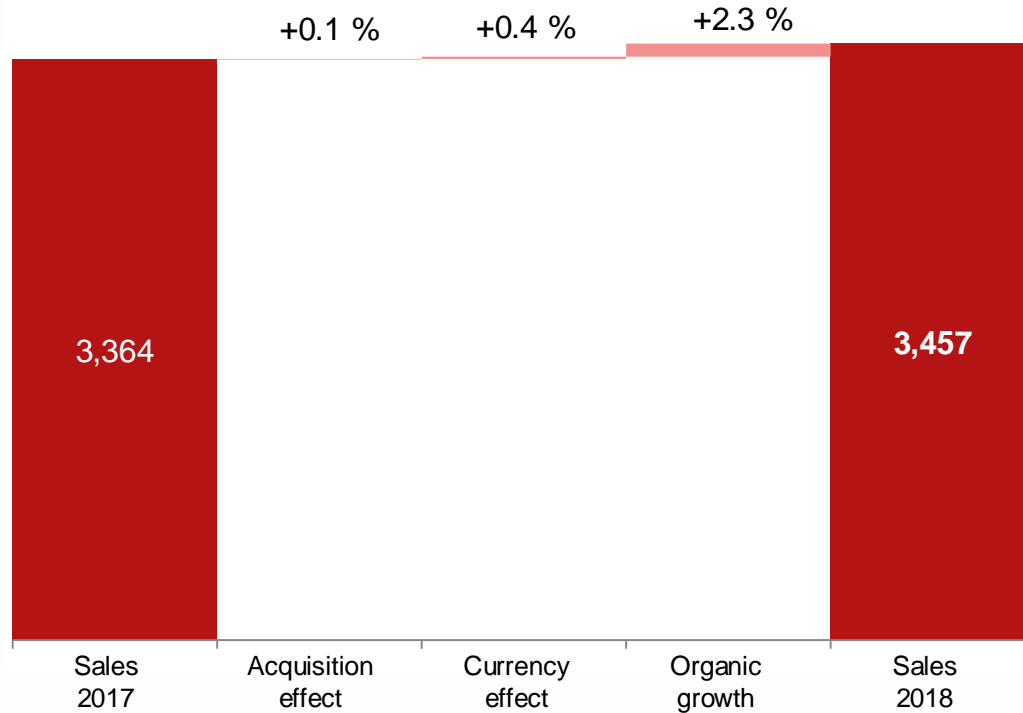
\*2014: EBIT and net profit adjusted for non-recurring effects of CHF -34.5 million and CHF -30.5 million respectively. These are attributable to the extraordinary impairment charge in Italy (Trentinalatte) less the extraordinary gain generated from the sale of companies, businesses and property, plant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

\*\*2018: Net profit adjusted for non-recurring effects of CHF 57.8 million (after taxes). These are primarily attributable to the extraordinary gain generated from the sale of the minority stake in siggi's in the US.



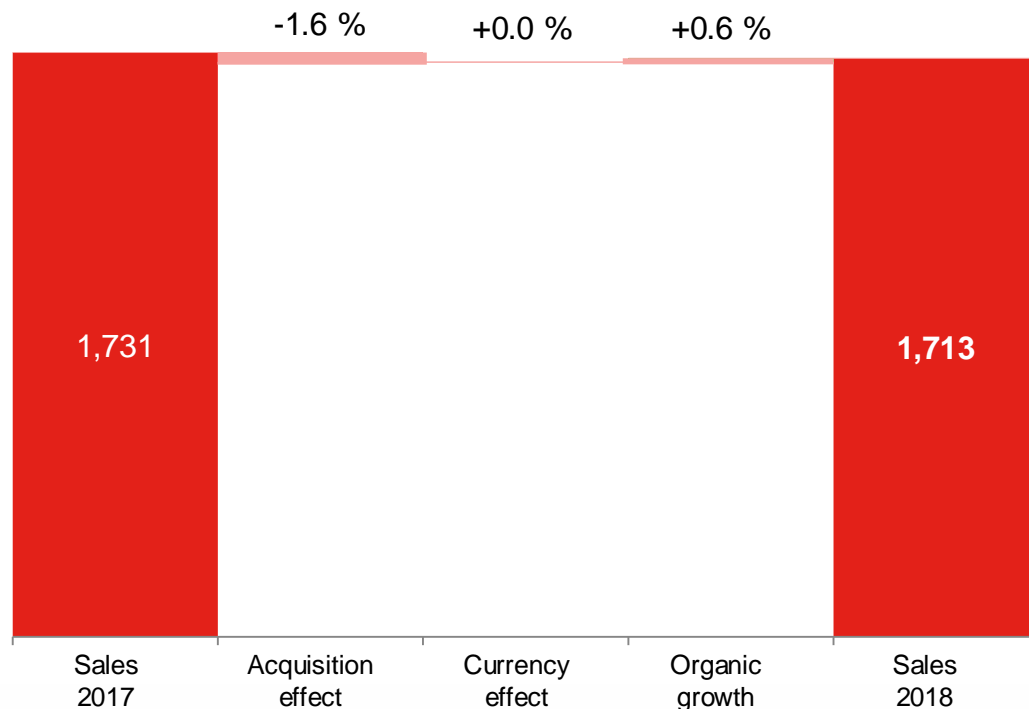
## Group growth 2.8 %, organic growth 2.3 %

Group sales in CHF million



## Pleasing organic growth

Sales Switzerland in CHF million



### Dairy products

**Sales CHF 676.4 million, 2.2 %**

- Increase in sales due primarily to higher milk prices (since October 2017)

### Cheese

**Sales CHF 450.4 million, -5.3 % (organic: -1.8 %)**

- Growth in Luzerner Rahmkäse and Le Petit Chevrier
- Declining sales of fondue and AOP cheese
- Cheese imports into Switzerland 2.9 % higher

### Fresh products

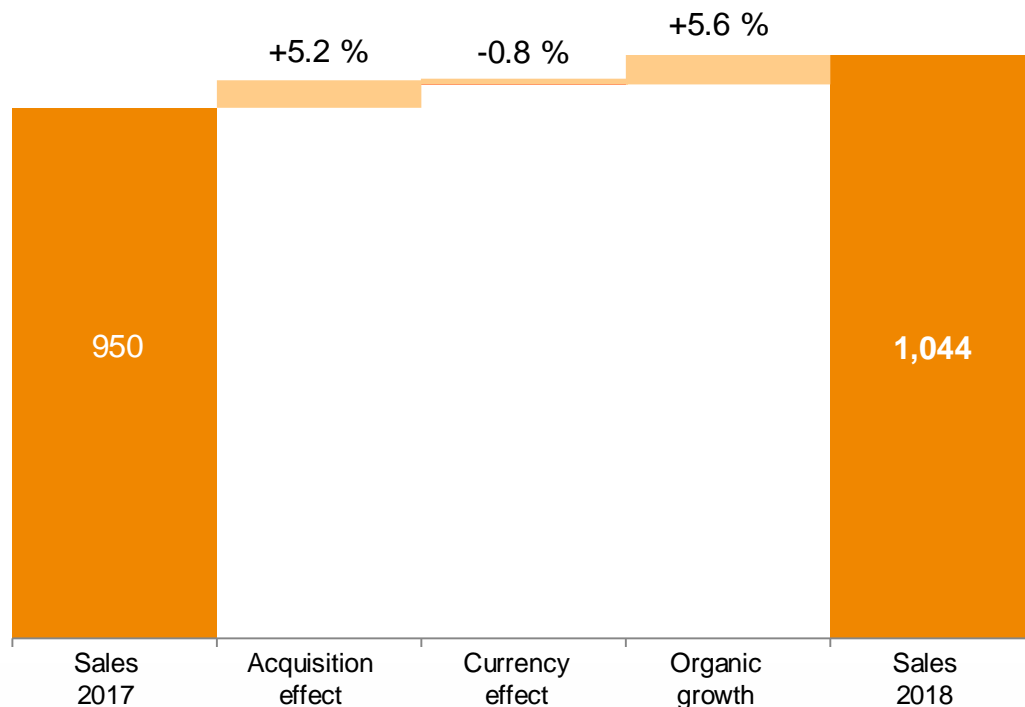
**Sales CHF 341.7 million, -0.6 % (organic: -0.2 %)**

- Growth in Caffè Latte and new protein products
- Decline in sales of private label yogurts and Yoquua

Divestment effect in cheese and fresh products from the sale of part of the trading goods business to Coop

## Dynamic performance in Tunisia and Chile

Sales Americas in CHF million



### Cheese

**Sales CHF 444.9 million, +10.1 % (organic: +4.9 %)**

- Growth in cow's milk cheese manufactured locally in the US
- Increase in exports of Le Gruyère AOP to the US

### Dairy products

**Sales CHF 283.2 million, +6.4 % (organic: +8.4 %)**

- Pleasing growth in Tunisia and Chile

### Fresh products

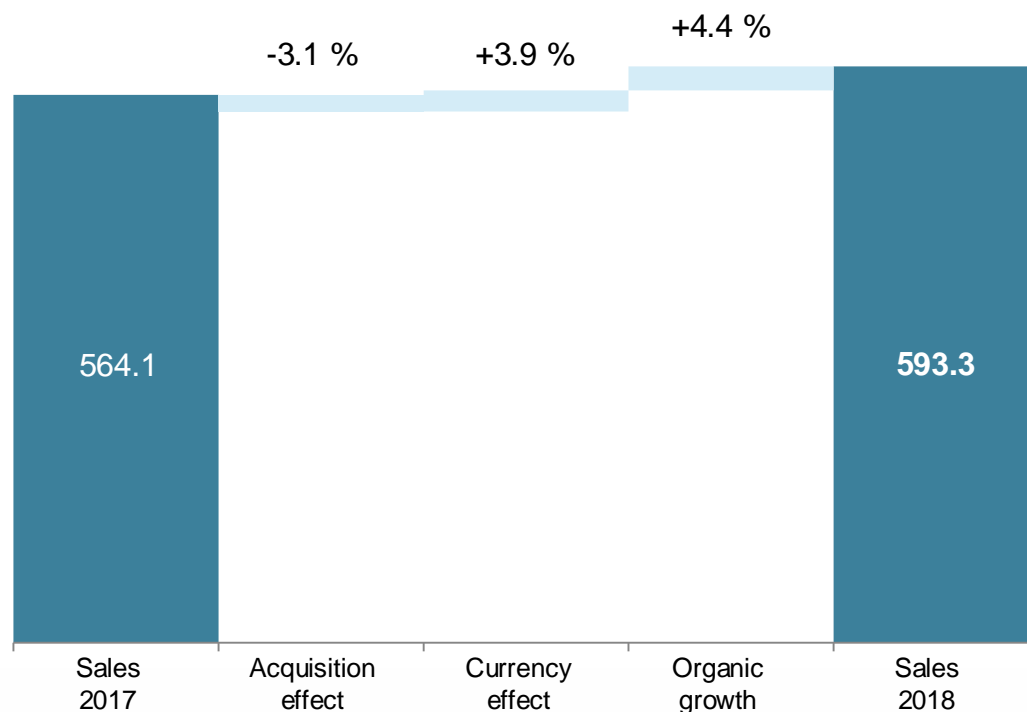
**Sales CHF 206.1 million, +4.7 % (organic: +4.9 %)**

- Growth in Tunisia
- Growth in goat's milk products in the US
- Declining sales of private label yogurts in Spain, growth in Caffè Latte

Acquisition effects in the cheese and fresh products segments due to the increased stake in Mexideli, which had an impact on consolidation

## Fresh products make major contribution to sales growth

Sales Europe in CHF million



### Fresh products

**Sales CHF 264.5 million, +16.2 % (organic: +10.4 %)**

- Growth at all three Italian dessert companies
- Growth in Caffè Latte, strongest in Germany and UK
- Declining Onken sales

### Cheese

**Sales CHF 127.8 million, +2.2 % (organic: -1.6 %)**

- Declining AOP sales
- Growth in speciality cheese in Germany

### Dairy products

**Sales CHF 109.0 million, +0.7 % (organic: -3.1 %)**

- Declining sales at Gläserne Molkerei

Goat's cheese sales are recorded in the fresh cheese segment.

Acquisition effect in fresh products due to the acquisition of Italian Fresh Foods.



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## Highest EBIT in Emmi's history

| in CHF million                  | 2018         | 2017         | Δ in %     |
|---------------------------------|--------------|--------------|------------|
| Net sales                       | 3,457.4      | 3,364.3      | 2.8        |
| Gross profit                    | 1,252.9      | 1,200.9      | 4.3        |
| as % of net sales               | 36.2         | 35.7         |            |
| Other income                    | 5.3          | 5.7          | 6.2        |
| Operating expenses              | -905.4       | -865.9       | 4.6        |
| EBITDA                          | 352.8        | 340.7        | 3.6        |
| as % of net sales               | 10.2         | 10.1         |            |
| Depreciation and amortisation   | -136.4       | -135.2       | 0.9        |
| Write-back of negative goodwill | 0.3          | 0.3          | –          |
| <b>EBIT</b>                     | <b>216.7</b> | <b>205.8</b> | <b>5.3</b> |
| as % of net sales               | <b>6.3</b>   | <b>6.1</b>   |            |

- Gross profit margin up 0.5 percentage points
- Disproportionately large increase in operating expenses primarily attributable to higher logistics costs
- EBIT margin 0.2 percentage points higher at 6.3 %

## Pleasing increase in gross profit and gross profit margin

| in CHF million    | 2018    | 2017    | Δ in % |
|-------------------|---------|---------|--------|
| Net sales         | 3,457.4 | 3,364.3 | 2.8    |
| Gross profit      | 1,252.9 | 1,200.9 | 4.3    |
| as % of net sales | 36.2    | 35.7    |        |

- Higher gross profit margin due to improved product mix (focus on brand concepts)
- Productivity increases
- Pleasing margin growth in the business division Europe
- Continuing high price pressure on the customer side

## Disproportionately high increase in operating expenses

| in CHF million                                   | 2018         | 2017         | Δ in %     |
|--|--------------|--------------|------------|
| Personnel expenses                               | 458.5        | 443.2        | 3.4        |
| as % of net sales                                | 13.3         | 13.2         |            |
| Marketing and sales-related expenses             | 127.9        | 126.0        | 1.5        |
| as % of net sales                                | 3.7          | 3.7          |            |
| Occupancy expense, maintenance & repair, leasing | 69.5         | 65.4         | 6.3        |
| Energy, operating material and supplies          | 66.2         | 65.1         | 1.7        |
| Logistic expenses                                | 108.0        | 96.0         | 12.5       |
| Other operating expenses                         | 75.3         | 70.2         | 7.3        |
| <b>Operating expenses</b>                        | <b>905.4</b> | <b>865.9</b> | <b>4.6</b> |
| as % of net sales                                | 26.2         | 25.8         |            |

- Higher personnel expenses mainly due to the business division Americas
- Targeted support for key brands; higher share of digital marketing
- Increase in logistics costs (higher transport costs and rising volumes)
- Other operating expenses: higher need for provisions for operating risks

## Significant increase in earnings per share

| in CHF million                                  | 2018         | 2017         | Δ           |
|---|--------------|--------------|-------------|
| EBIT  | 216.7        | 205.8        | 10.9        |
| Income from associates                          | 78.3         | 3.6          | 74.7        |
| Financial result                                | -6.5         | -10.4        | 3.9         |
| Earnings before taxes (EBT)                     | 288.6        | 199.1        | 89.5        |
| Income taxes                                    | -50.2        | -30.3        | -19.9       |
| Average tax rate in %                           | 17.4         | 15.2         |             |
| Minority interests                              | -5.0         | -7.2         | 2.2         |
| <b>Net profit</b>                               | <b>233.3</b> | <b>161.6</b> | <b>71.7</b> |
| <b>Adjusted net profit</b>                      | <b>175.5</b> | <b>161.6</b> | <b>13.9</b> |
| as % of net sales                               | 5.1          | 4.8          |             |
| <b>Adjusted earnings per share<br/>(in CHF)</b> | <b>32.80</b> | <b>30.20</b> | <b>2.60</b> |

- Income from associates includes the pre-tax profit made on the sale of siggi's
- Refinancing in mid-2017 had a positive impact on the financial result
- Adjusted tax rate of 13.7 %
- Reduction in minority interests due to increased stakes in several companies
- Adjusted net profit 2018:  
CHF 175.5 million (net profit margin: 5.1 %)
- Earnings per share  
CHF 32.80 (previous year: CHF 30.20)

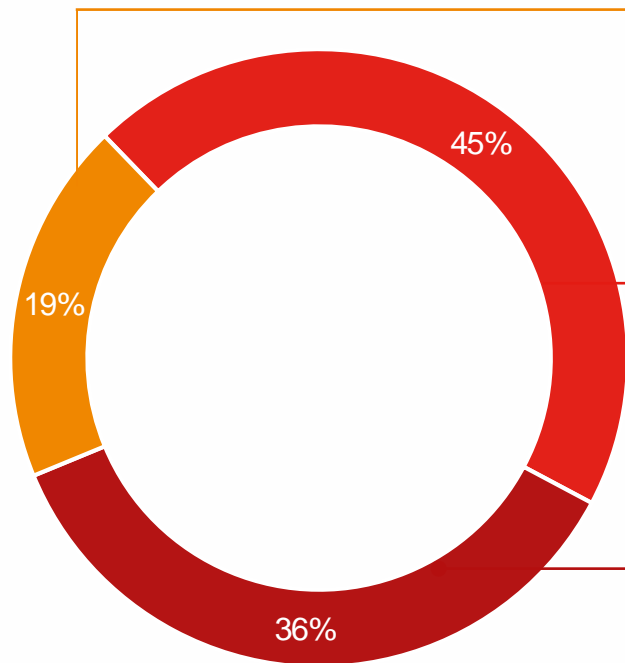
## Solid free cash flow

in CHF million

|  | 2018         | 2017          | Δ            |
|--|--------------|---------------|--------------|
| <b>Cash flow from operating activities</b>                             | <b>291.9</b> | <b>251.7</b>  | <b>40.2</b>  |
| Investments in property, plant and equipment                           | -80.3        | -96.3         | 16.0         |
| Investments in intangible assets                                       | -4.5         | -2.9          | -1.6         |
| Other investing activities   | 16.5         | 23.0          | -6.5         |
| <b>Free cash flow</b>  | <b>223.6</b> | <b>175.5</b>  | <b>48.1</b>  |
| Acquisition/disposal of holdings                                       | 62.6         | -398.1        | 460.7        |
| Cash flow from financing activities and impact of currency translation | -47.4        | 28.3          | -75.7        |
| <b>Net change in cash and cash equivalents</b>                         | <b>238.8</b> | <b>-194.3</b> | <b>433.1</b> |



## Shares of replacement, rationalisation and expansion investments almost unchanged



### Expansion investments (PY: 20 %)

- New warehouse (Mexideli, Mexico)
- Cold store (Vitalait, Tunisia)
- Waste water treatment plant (Emmi Roth, US)
- Yogurt production facility (Gläserne Molkerei, Germany)

### Replacement investments (PY: 44 %)

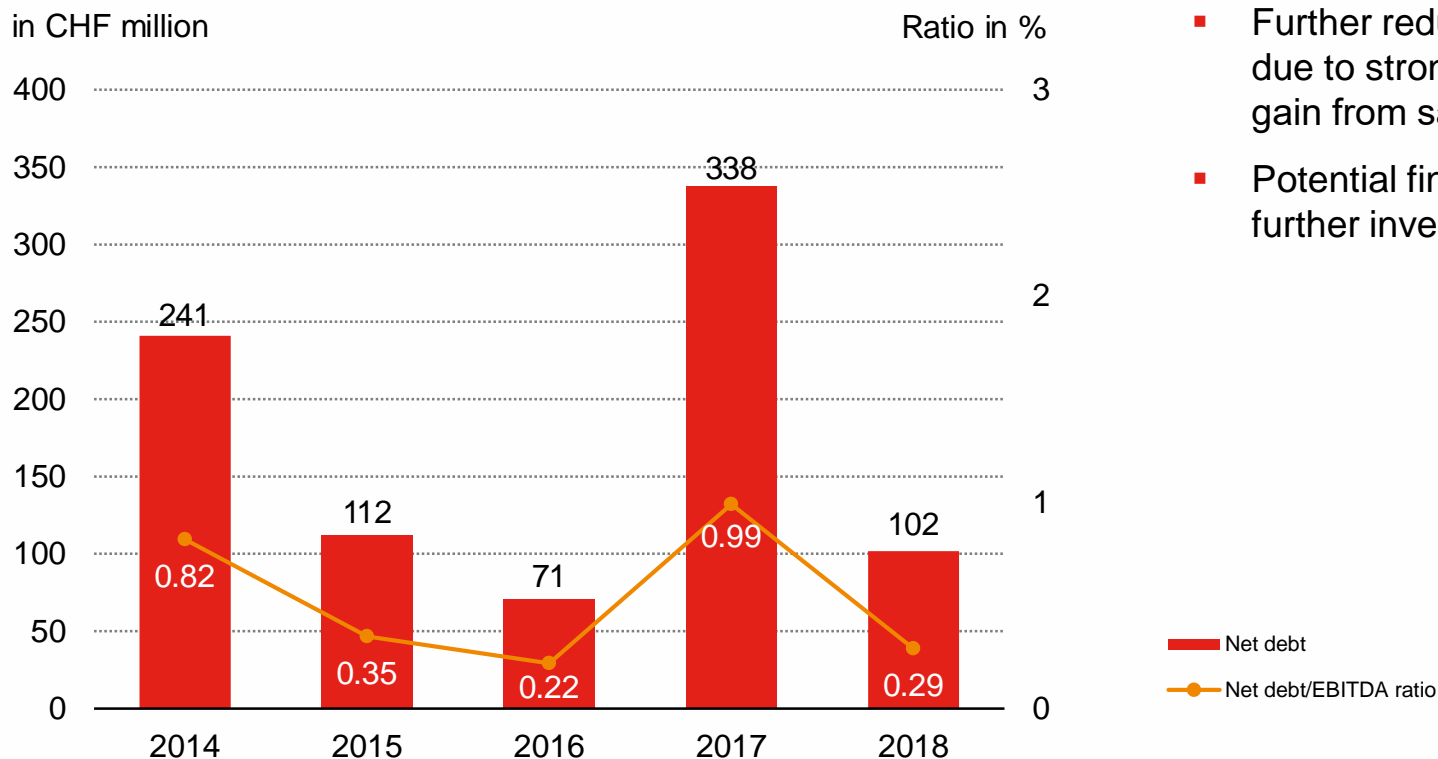
- New IT system (Emmi UK)
- Quark filling line (Emmen, CH)
- Modernisation of refrigeration system (Kirchberg, CH)
- Conversion of warehouse (Zollikofen, CH)

### Rationalisation investments (PY: 36 %)

- Installation of solar plant (Emmi Roth, US)
- Automation of cardboard packaging (Ostermundigen, CH)
- SAP maintenance module (Emmen, CH)
- Modernisation of pasteurisation line (Bischofszell, CH)

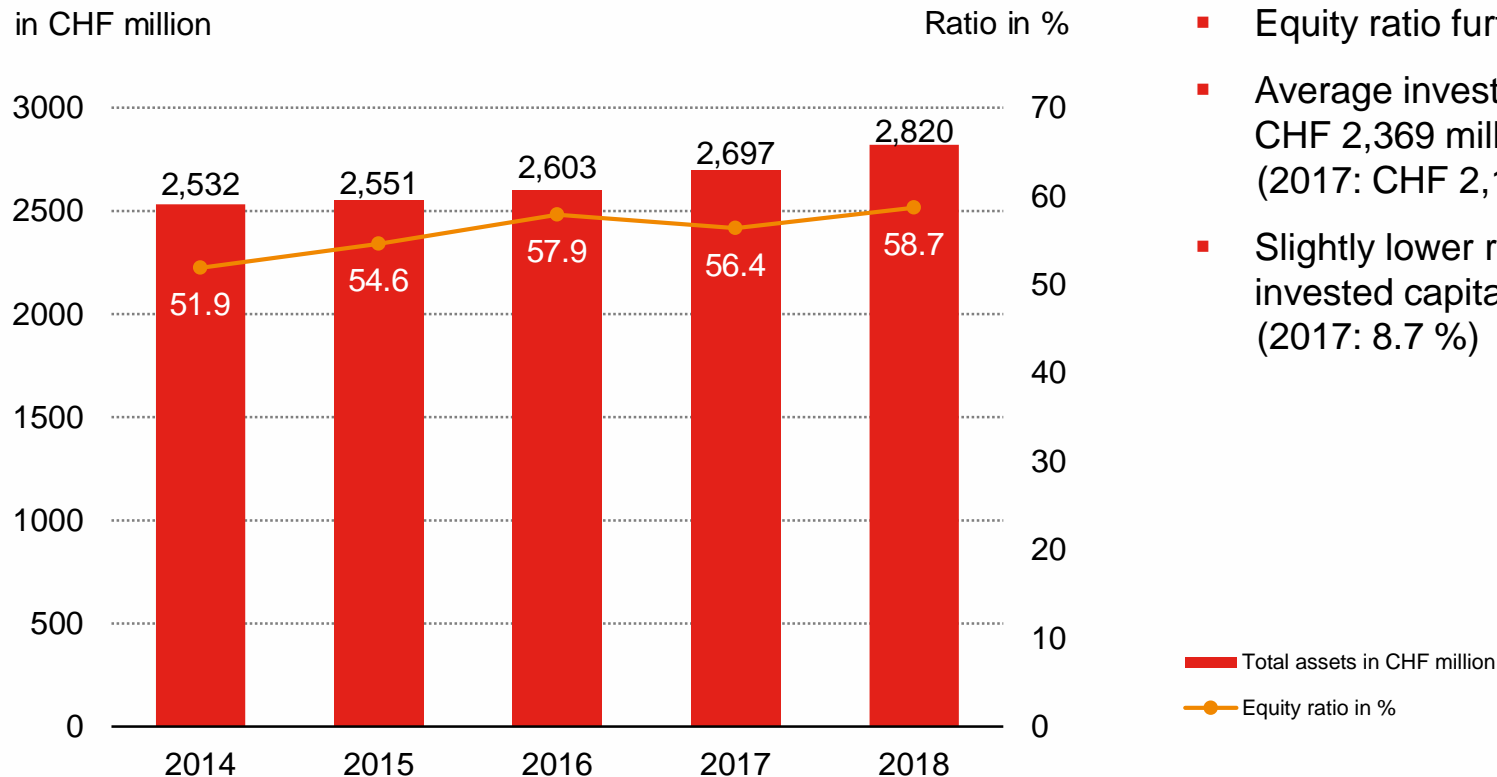
**Total investments 2018: CHF 88.0 million**

## Net debt/EBITDA



- Further reduction of debt ratio due to strong free cash flow and gain from sale of stake in siggi's
- Potential financing available for further investment

## Equity ratio

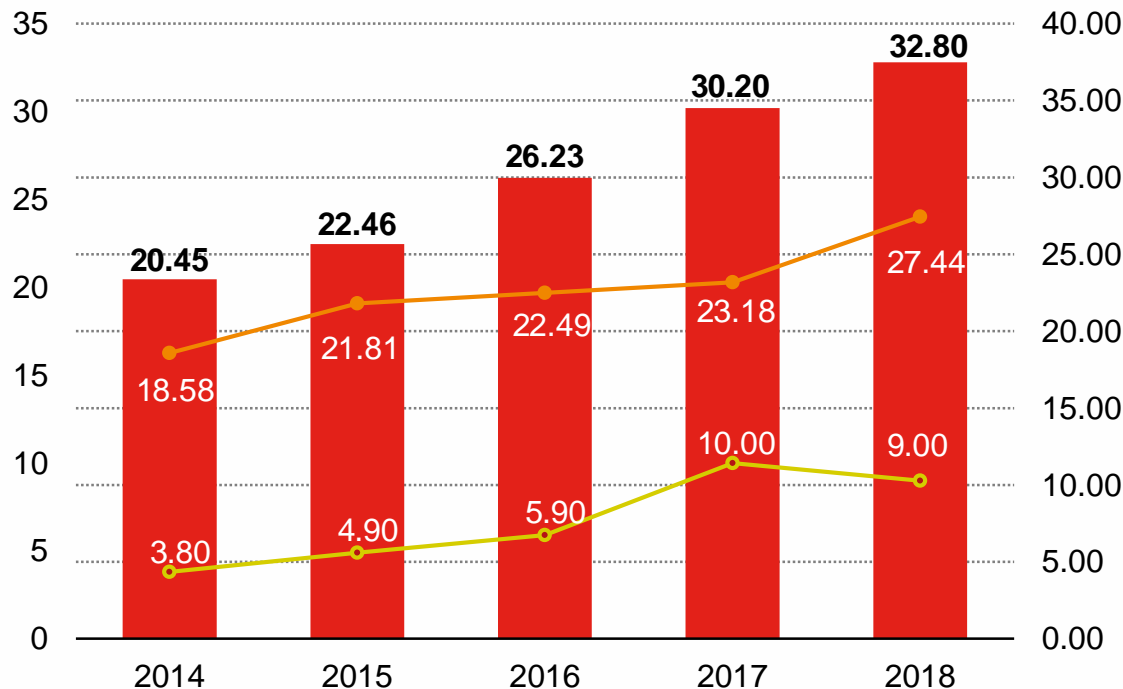


- Equity ratio further strengthened
- Average invested capital:  
CHF 2,369 million  
(2017: CHF 2,190 million)
- Slightly lower return on average  
invested capital (ROIC): 8.5 %  
(2017: 8.7 %)

## Dividend, dividend payout

in CHF million

Ratio in %



- The Board of Directors is proposing to the General Meeting a dividend of CHF 9.00 (previous year: CHF 10.00), of which CHF 1.00 from capital contribution reserves
- The 2017 dividend of CHF 10.00 included a special dividend of CHF 3.00 (participation in siggi's gain and anniversary dividend). The calculation of the adjusted distribution rate is based on the regular dividend of CHF 7.00

■ Adjusted EPS  
—●— Adjusted distribution rate in %  
—●— Dividend



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## Organic sales performance since first half of 2017

- Organic growth at Group level has been above 2 % in each of the last three six-month periods
- Emmi has recorded organic growth in its three largest business divisions over these periods
- Growth is flattening out in the business division Europe
- Loss in Global Trade is due to significantly lower regulatory exports

|              | 1HY<br>2017 | 2HY<br>2017 | Total<br>2017 | 1HY<br>2018 | 2HY<br>2018 | <b>Total<br/>2018</b> | Emmi<br>forecast<br>for 2018 |
|--------------|-------------|-------------|---------------|-------------|-------------|-----------------------|------------------------------|
| Emmi Groupe  | -1.3 %      | 2.5 %       | 0.5 %         | 2.4 %       | 2.1 %       | <b>2.3 %</b>          | 1.5 – 3 %                    |
| Switzerland  | -1.8 %      | 0.5 %       | -0.6 %        | 0.5 %       | 0.8 %       | <b>0.6 %</b>          | 0 – 0.5 %                    |
| Americas     | 2.4 %       | 6.3 %       | 4.1 %         | 5.6 %       | 5.5 %       | <b>5.6 %</b>          | 4 – 6 %                      |
| Europe       | -2.1 %      | 4.7 %       | 0.8 %         | 5.8 %       | 3.0 %       | <b>4.4 %</b>          | 2 – 4 %                      |
| Global Trade | -13.8 %     | -5.1 %      | -9.7 %        | -9.0 %      | -12.3 %     | <b>-10.4 %</b>        | n. a.                        |

## New brand imagery

### Meyenberg



### Emmi Caffè Latte



### Green Valley Organics (Redwood Hill)



## Highlighting new ways to consume

### Serving suggestions



### Recipe ideas



### Beer & goat's cheese



## Innovative strength in various markets

Spain: high-protein, vegan



Tunisia: limited editions





## Innovative strength in various markets

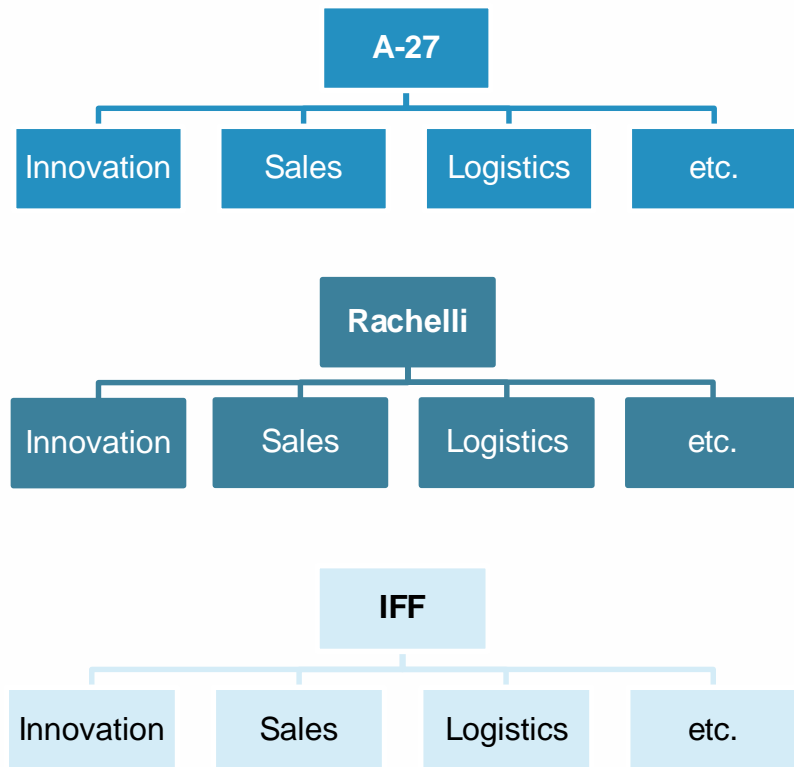
Chile: high-protein, lactose-free, lifestyle



Netherlands: goat's cheese spread



## The fitness programme: merge the three companies into one



- Leverage know-how
- Leverage innovative strength
- One sales force
- One administration
- New skills and capabilities

## 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

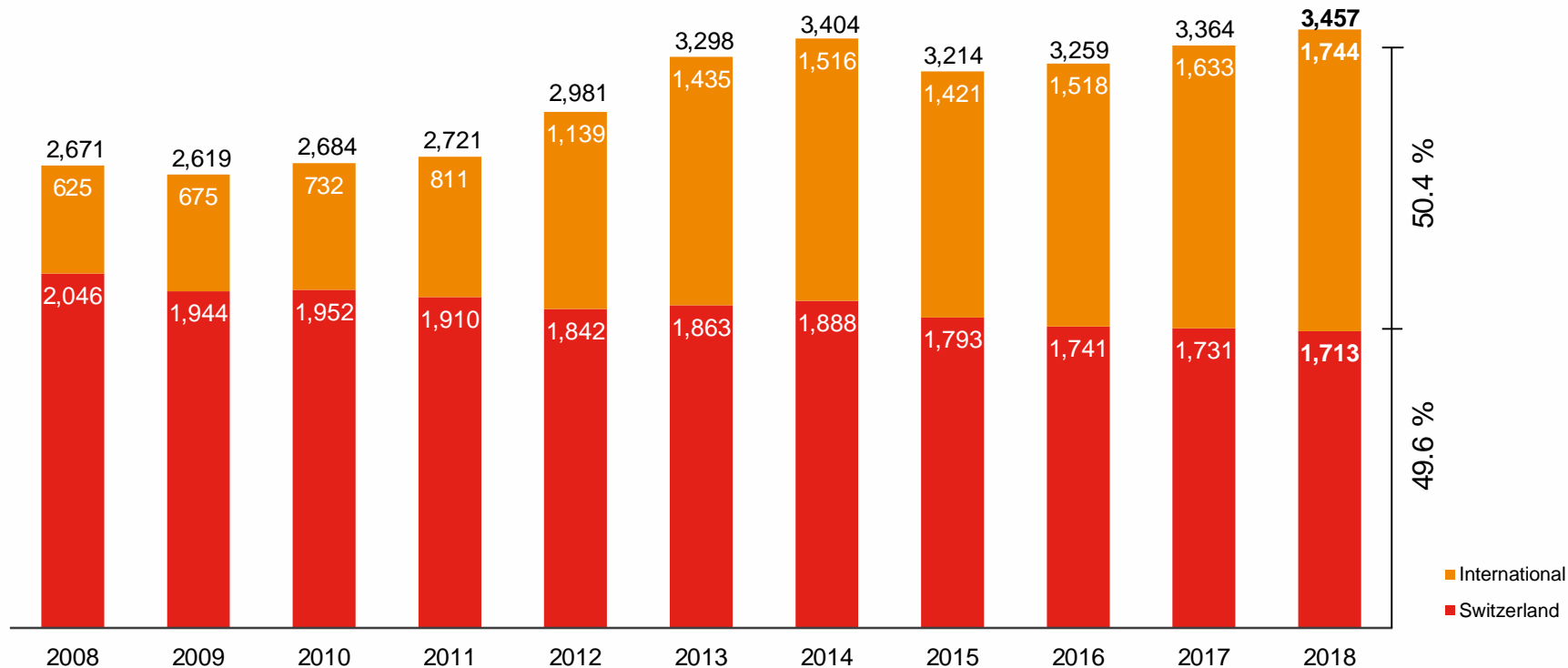
**6,000** identified opportunities for improvement

**4,000** ideas submitted by employees, **90 %** of which have been implemented





## Share of sales from international business exceeded 50 % for the first time in 2018





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## 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
- Companies in niches are particularly sought after

## 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

## Switzerland

### Positive

- Innovations
- Brand development
- Established product concepts
- Operational Excellence

### Limiting

- Weaker retail trade
- Significant price pressure
- High import pressure
- Consistently high consumer tourism
- Fluctuating exchange rates
- Cost increase: salaries, packaging, transport, raw material

## International

- Org. growth of brand concepts
- Growth markets: Tunisia, Chile, Mexico, US
- Emmi Operational Excellence
- Growth in niches (e.g. desserts, goat's cheese)
- Bundling of resources (Italy, California)

- Growing uncertainty in the global economy
- Impact of Brexit
- Drop in volume of interchangeable products
- Currency trends, e.g. in Tunisia
- Cost increase: salaries, logistic costs, packaging, raw material



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

### Organic growth, earning targets

|                     |                 |
|---------------------|-----------------|
| Growth Group        | 2 % bis 3 %     |
| Growth Switzerland  | 0 % bis 0.5 %   |
| Growth Americas     | 4 % bis 6 %     |
| Growth Europe       | 1 % bis 3 %     |
| EBIT in CHF million | 215 bis 220     |
| Net profit margin*  | 4.7 % bis 5.2 % |

(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, earnings targets

|                    |                 |
|--------------------|-----------------|
| Growth Group       | 2 % bis 3 %     |
| Growth Switzerland | 0 % bis 1 %     |
| Growth Americas    | 4 % bis 6 %     |
| Growth Europe      | 1 % bis 3 %     |
| Net profit margin* | 4.7 % bis 5.2 % |

(Figures assume constant exchange rates and raw milk prices)





**Fragen und Antworten**

**Questions and answers**

**Preguntas y respuestas**

**Vragen en antwoorden**

**Perguntas e respostas**

**Questions et réponses**

**Galderak eta erantzunak**