

New Members Pitch by Sara, Mark, Franco and Hannes

BARRY CALLEBAUT

Mentored by Josephine and Lorenz

Barry Callebaut Supplies the World With Chocolate

About Barry Callebaut

B2B chocolate manufacturer under current restructuring to enhance efficiency

- Barry Callebaut AG is the **world's largest manufacturer of chocolate** and cocoa products, headquartered in Zurich, producing 2.3 million tons annually
- Operates **62 factories** across worldwide and employs over 13,000 people, serving a diverse customer base in **147 countries** with a wide product portfolio focusing on **high-margin segments** like Gourmet (+9.8% volume growth)
- Commitment to sustainability enhances its **brand value** and aligns with evolving **regulatory standards** and consumer preferences
- BC Next Level**, the company's investment initiative, aims to **cut costs by CHF 250m** through investments of CHF 500m, with 75% expected to increase profitability

Source: Annual Report 23/24

Valuation

Current KPIs suggest an undervaluation in CCA

Market Cap in CHF	6.1bn	P/E	32.19	Barry Callebaut	24.26	Industry Average
Share Price in CHF	1123	EV/EBITDA	9.3	Barry Callebaut	13.32	Industry Average
Dividend Yield in %	2.61	P/B	2.15	Barry Callebaut	4.43	Industry Average

Source: Trading View (17.01.2025)

Thesis

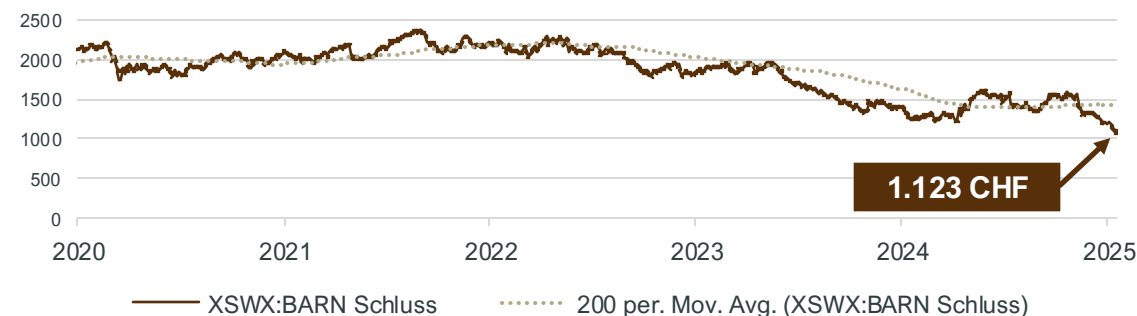
BC Next Level cost-savings and high-margin Gourmet products will drive growth

- Despite a significant +131% increase in cocoa bean prices, Barry Callebaut maintained its gross profit margins through its **cost-plus pricing model**, showcasing its **ability to navigate market volatility**. The negative free cash flow of CHF -2.3 billion was primarily due to higher inventory valuations, not operational inefficiencies
- Future profitability is expected to improve as **BC Next Level cost savings** and a strategic focus on **high-margin Gourmet products** drive margin recovery, even amid persistently elevated cocoa prices and modest volume growth
- DCF Analysis signals a **potential upside of 16%** (Base Case without MoS)

We think this is a Buy!

Stock Price Performance

Currently trading below 200-day moving average



Source: XSWX (17.01.2025)

Agenda

Barry Callebaut – New Members Pitch – 22.01.2025

1. Executive Summary

2. Company Overview

3. Market & Industry Analysis

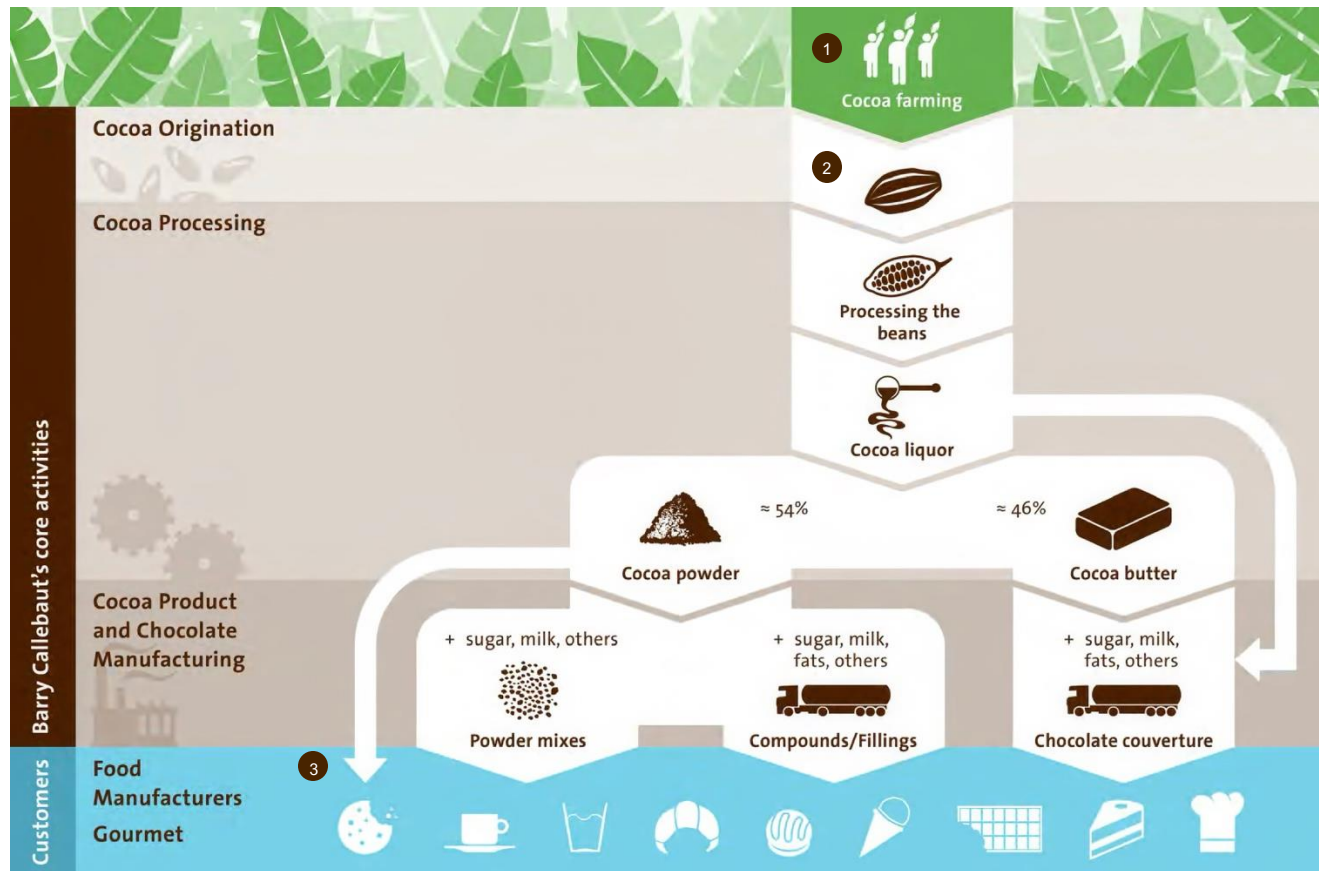
4. Business Driver

5. Risks & Mitigation

6. Valuation

Mastering the Entire Chocolate Value Chain

Barry Callebaut's Integrated Value Chain



1 Sourcing

- **Direct Sourcing:** Works closely with farmers through **Cocoa Horizons** to ensure a **stable, high-quality supply**
- **Traceability:** Implements **full supply chain transparency** to meet sustainability regulations and manage supply risks
- **Community Support:** Invests in training, productivity, and social programs to secure **long-term supply**

2 Manufacturing

- **Global Network:** Operates **62 factories in 147 countries**, optimizing logistics, flexibility, and costs
- **Innovation:** Develops **new chocolate varieties** (e.g., Ruby, sugar-free) and invests in AI-driven automation
- **Quality & Sustainability:** Ensures **strict food safety**, reduces **waste & emissions**, and boosts **energy efficiency**

3 Selling

- **Market Presence:** Serves **industrial, gourmet, and private-label customers**, expanding in **Asia, EMEA, and LATAM**
- **Customer Focus:** Offers customized solutions, technical support, and **long-term partnerships**
- **Pricing Power:** Uses **cost-plus pricing**, allowing cost pass-through and margin stability

Source: Barry Callebaut Annual Report 2023/2024

Crafting Profit Through Chocolate & Elevating Margins with Gourmet

Business Segments



- Largest segment
- Supplies industrial chocolate to global brands like Nestlé and Mondelez
- Driven by outsourcing and private label growth

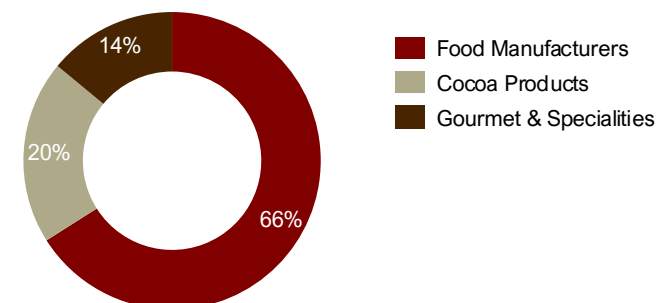


- Supplies cocoa butter powder and liquor to third parties
- Exposed to cocoa price volatility but benefits from processing efficiencies



- Premium segment for chefs, chocolatiers and bakeries
- Strong pricing power and high margins
- Key growth driver

Sales Volume by Product Group



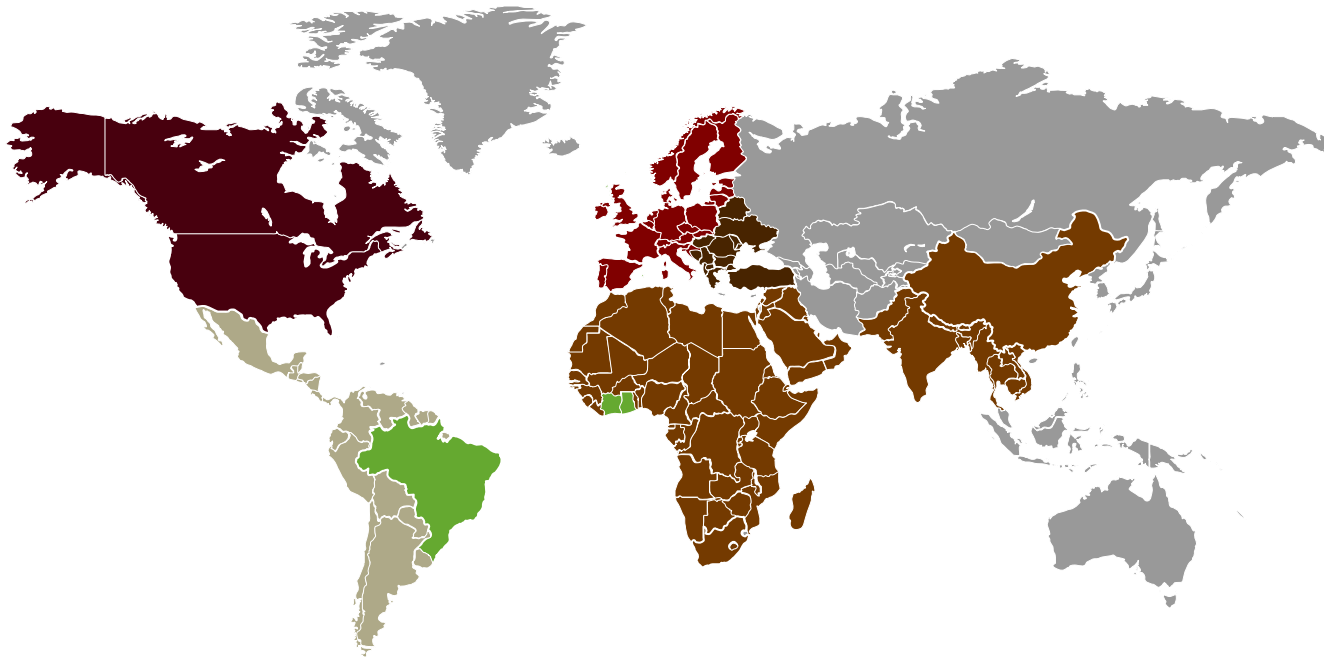
- **Food Manufacturing** accounts for the largest share of generated revenue
- **Gourmets & Specialties** contribute only a small portion of total revenue
- However, this segment delivers the **highest profit margins** and represents a future **growth market** where Barry Callebaut is strongly positioned



Source: Annual Report 2023/2024

Leveraging Global Reach and Efficiency for Market Leadership

Barry Callebaut's Exposure



■ Western Europe (32%) ■ North America (24%) ■ Central and Eastern Europe (13%) ■ Asia Pacific, Middle East & Africa (8%) ■ Latin America (3%) ■ Ivory Coast, Ghana, Brazil

- **Global Reach:** Barry Callebaut operates in all major regions, ensuring a presence in key markets worldwide
- **European Stronghold:** Europe remains the largest market with premium hubs in Belgium, Switzerland, Germany, and France
- **High-Growth Regions:** Growth in developing countries has slowed, but AMEA (Asia-Pacific, Middle East, and Africa) shows steady increases and contributes significantly to revenue
- **Risk Diversification:** A global network minimizes geopolitical, climate, and logistical risks
- **Extensive Factory Network:** 62 strategically located factories ensure cost-efficient and scalable production
- **Proximity to Key Resources:** Facilities are near raw material sources and markets, reducing costs and lead times
- **Vertical Integration:** Cocoa processing plants in Ivory Coast, Ghana, and Brazil enhance margins and sustainability
- **Efficiency Programs:** Initiatives like BC Next Level focus on automation and operational optimization

Source: Annual Report 2023/2024

Driving Excellence and Empowering Leadership

Peter Feld, CEO



- Appointed CEO of Barry Callebaut in 2023
- Previously CEO of Jacobs Holding AG, CEO of GfK SE (2017 - 2022) and WMF AG (2013 - 2016)

Peter Vanneste, CFO



- Appointed CFO of Barry Callebaut in 2023
- Previously CFO of Ontex and CFO of Jacobs Douwe Egberts (JDE)

Executive Board

Dr. Clemens Woehrle
Chief Customer Supply & Development Officer

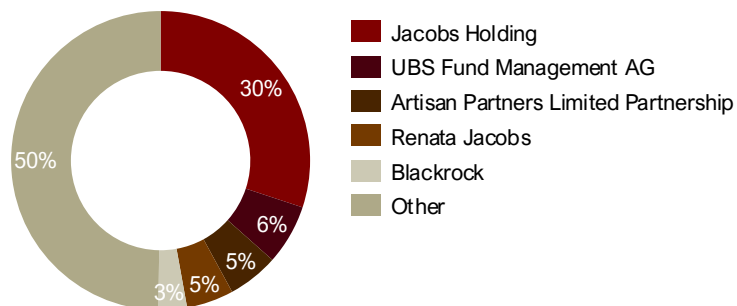
Jutta Suchanek
Chief People & Diversity Officer

Steven Retzlaff
Chairman of Future Farming Initiative

Feld's track record in driving customer-centric growth and digital transformation is enhancing Barry Callebaut's market position
Vanneste's financial strengthens the company's financial strategies, supporting its long-term objectives

Leadership Impact: The combined expertise of the executive board is poised to foster a culture of agility, diversity and future-readiness within the organization

Ownership Structure



TUIC Assessment

Our review of past financial reports and management communications that the executive team has consistently met its strategic objectives, delivering measurable results in the following key areas:



Performance Goals



Volume Stability



BC Next Level Program



Market Expansion

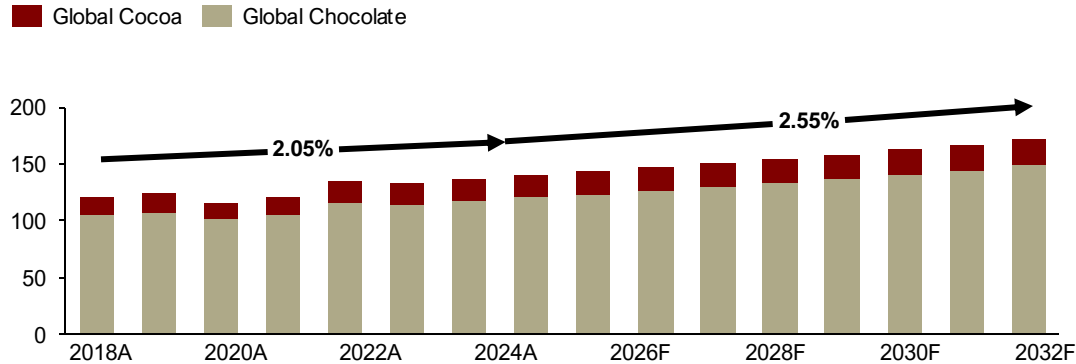


Sustainability Initiatives

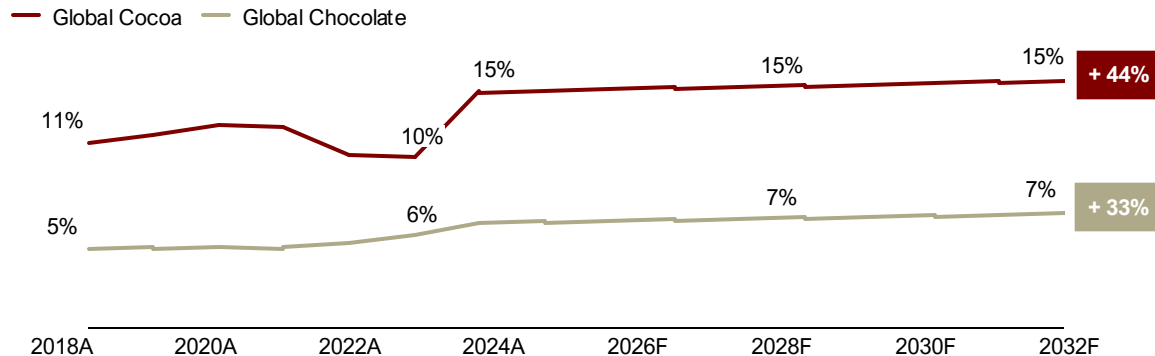
Source: Barry Callebaut Financial Report and Website

Growth through Premiumization, Sustainability and Emerging Markets

Market Growth (in Billion CHF)



Market Share (in %)



Industry Dynamic and Lifecycle

- The chocolate industry is resilient, with a steady global market **growth rate of 2.55%** CAGR until 2032
- Developed markets are maturing, but **emerging markets like Asia-Pacific are driving growth**, with a CAGR of 7% fueled by rising middle-class consumption
- Emerging trends like "Dubai Chocolate" highlight increasing demand for **premium products** (artisanal, single-origin, health-conscious chocolate) and support higher margins
- Despite economic instability and high inflation, chocolate is still an **ever-popular** product that is in **constant demand** from consumers worldwide

Source: Annual Report 2022/2023 & 2022/2024, Reuters

Value Chain Leadership and Pricing Power

- Cocoa price fluctuations (+131%) create challenges, but Barry Callebaut's **vertically integrated supply chain mitigates risk** and ensures cost efficiency.
- Sustainable products, driven by Barry Callebaut's "Forever Chocolate" initiative, enable **pricing premiums of 10–20%**, enhancing profitability.
- A robust value chain, from cocoa sourcing to chocolate production, strengthens Barry Callebaut's **market dominance** in the B2B segment.

Source: Annual Report 2022/2023 & 2022/2024, Financial Times

Dominating the Chocolate Market Through Scale, Innovation and Strategic Partnerships

Competitive Landscape: Quadrant Analysis

1 Highly Specialized Producers

- High-end branded chocolate for retail consumers
- Rely on external cocoa suppliers, limiting scalability and B2B competitiveness

2 Commodity-Driven Players

- Strong in raw cocoa processing
- Lack capabilities for finished chocolate products or deep customer relationships

3 Generalists

- Broad portfolios and strong consumer brands
- Diversified focus limits expertise in cocoa sourcing and innovation

4 Vertically Integrated Leaders

Excel in cocoa sourcing and chocolate production, but Barry stands out due to:

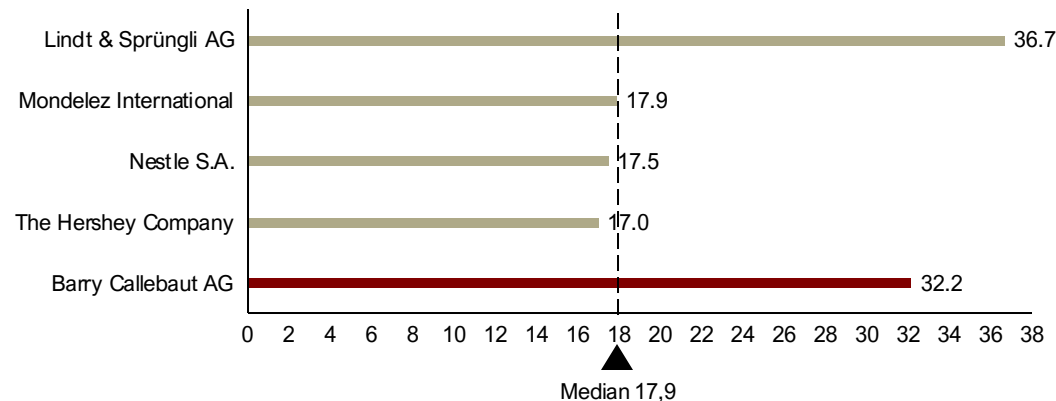
- **Global Scale:** 62 factories worldwide to serve diverse customers
- **Strategic Partnerships:** Collaborations with Nestlé and Mondelez expand reach and leverage economies of scale
- **Innovation Leadership:** Robust R&D delivers products like Ruby Chocolate
- **Pricing Power:** Seamlessly passes on rising cocoa costs to customers



Source: Chocolate industry: Global Chocolate Market and Global Cocoa Market

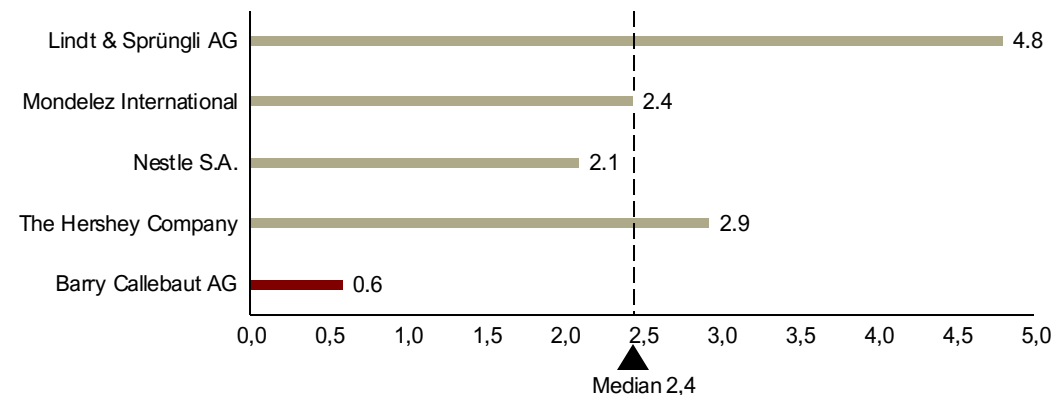
Undervalued Market Leader with Strong Growth Potential

P/E Ratio



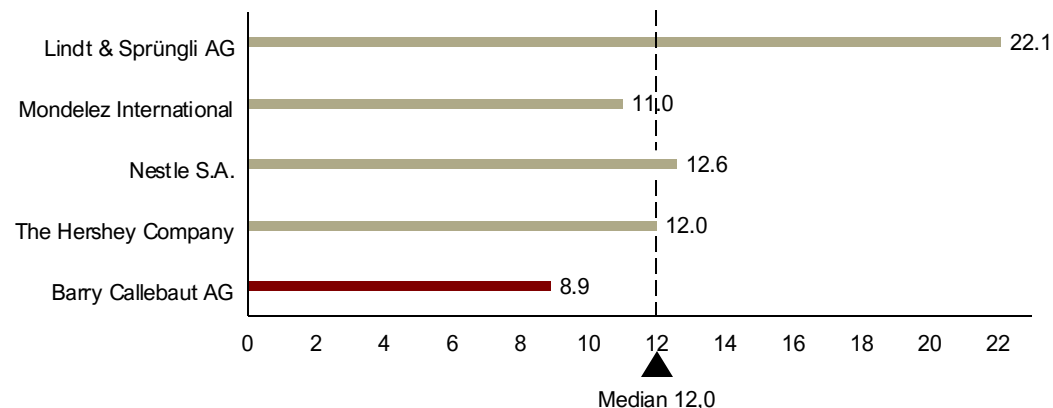
Source: Annual Reports of each company, Yahoo Finance (per 17.01.2025)

P/S Ratio



Source: Annual Reports of each company, Yahoo Finance (per 17.01.2025)

EV/EBITDA

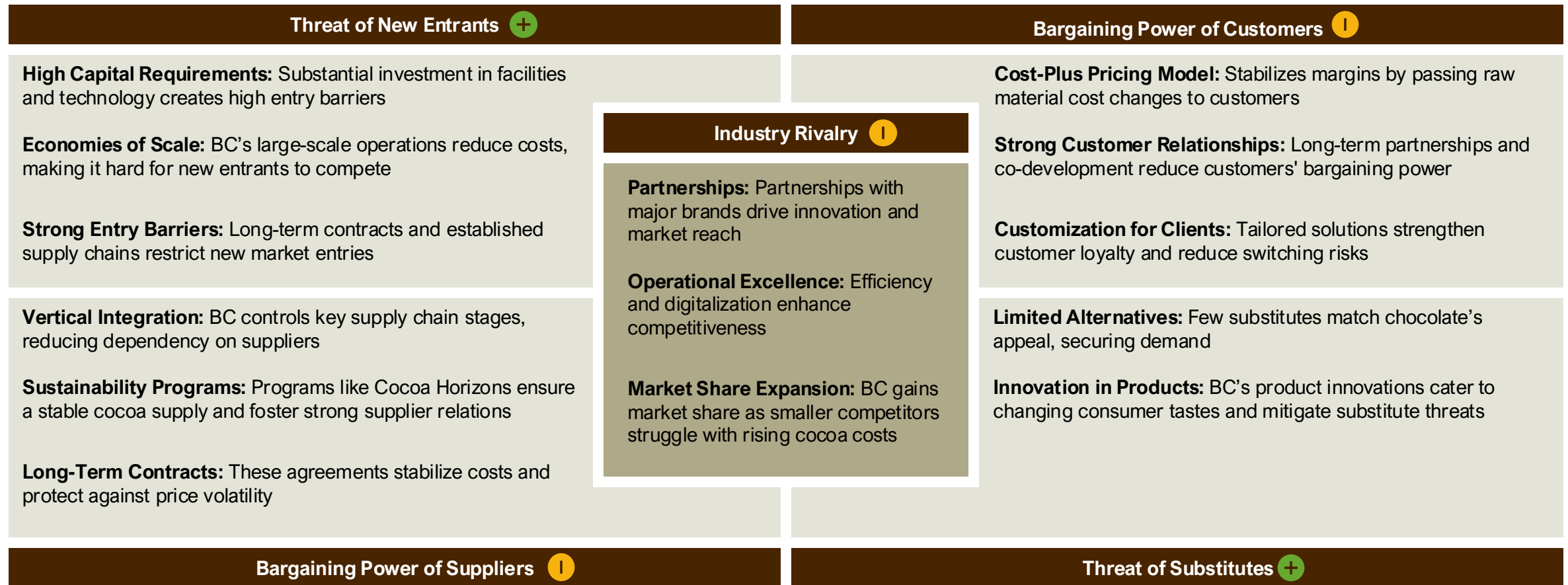


Source: Annual Reports of each company, Yahoo Finance (per 17.01.2025)

Comments

- **P/E Ratio:** High P/E Ratio due to lower earnings connected to investments into BC Next Level
- **P/S Ratio & EV/EBITDA:** Both multiples indicate an undervaluation compared to its peers

A Resilient Business Model Leveraging Scale, Integration and Innovation



+ Low risk I Moderate Risk - High Risk

Source: Annual Report 2023/2024

Barry Callebaut's MOAT – Key Business Drivers for a Sustainable Competitive Advantage

Market Leadership and Economies of Scale

- **Production Volume:** Over 2m tonnes of cocoa and chocolate products sold annually, supporting global leadership
- **Global Network:** Operates 60+ production plants across more than 40 countries, ensuring efficient distribution and market access
- **Market Leadership:** Recognized as the world's largest manufacturer of high-quality chocolate and cocoa products
- **Scale Advantage:** Large-scale operations secure stronger purchasing power, lower unit costs, and inventory benefits compared to smaller competitors
- **Financing Strength:** Raised CHF 300 million on the Swiss bond market at favorable rates (1.8% & 2.1%), enabling cheaper cocoa financing than smaller rivals

Strong Customer Relationships

- **Long-Term Contracts:** Partnerships with 25 of the largest global food manufacturers
- **Market Volume:** Top customers account for over 50% of global chocolate demand
- **Customer Retention:** Focus on delivering value-added services and innovative solutions

Innovation

- **R&D Investments:** CHF 100+ million invested annually in R&D
- **Unique Product Portfolio:** Diverse range including sugar-reduced, dairy-free, and protein-enriched chocolates
- **Patents and Innovations:** Holds numerous patents; strong pipeline of innovative products
- **Custom Solutions:** Tailor-made recipes for leading clients like Nestlé and Mondelez

Global Presence

- **Geographical Reach:** Operating in 140+ countries worldwide
- **Cocoa Access:** Strong foothold in West Africa, the source of 70% of global cocoa production
- **Emerging Markets:** 7% annual revenue growth in high-potential regions like Asia and Latin America
- **Supply Chain Efficiency:** Advanced logistics ensuring timely global delivery

Source: Annual Report 2023/2024

Evaluating Risks and Mitigations to Strengthen Valuation Reliability

Key Risks and Mitigation Strategies

Risk	Description	Mitigation Measures
1 Commodity Price Exposure (Cocoa Price Volatility)	Fluctuations in cocoa prices can significantly impact production costs and profit margins. Recent surges in cocoa prices have strained cash flow and increased debt levels	• Hedging Strategies: The Group's commodity risk management policies require that all risk exposures are hedged back-to-back in accordance with the related limit framework from the moment such exposures are entered into • Cost-Plus Pricing Model: For its contract business, the Group mitigates the impact of volatility in raw material prices through a cost-plus pricing model, where exposures arising at contract signing are hedged in accordance with the limit framework
2 Financing and Commercial Paper Risks	High cocoa prices have led to increased borrowing, elevating financial risk and interest obligations. The issuance of multiple bonds has been necessary to manage liquidity	• Financial Risk Management Framework: The Group has established a robust financial risk management framework and governance structure • Liquidity Planning: The Group's liquidity is ensured by means of regular Group-wide monitoring and planning of liquidity coordinated by the Group's centralized treasury department
3 Foreign Exchange Exposure (CHF Volatility)	As a Swiss-based company, fluctuations in the Swiss Franc (CHF) against other currencies can affect financial performance, especially given the global nature of operations	• Currency Hedging Strategies: The Group's treasury policies require that all foreign currency exposures in a floating currency regime are hedged in accordance with the related limit framework from the moment such exposures are entered into
4 Environmental, Social, and Governance (ESG) Risks	Issues such as climate change, deforestation, and human rights concerns can disrupt supply chains and damage reputation	• 'Forever Chocolate' Strategy: In 2016, the Group launched Forever Chocolate, its plan to make sustainable chocolate the norm by 2025 • ESG Oversight Structures: Successful strategy execution in relation to the Group's strategic pillar Sustainability is further supported by specific governance structures

Source: Annual Report 2023/2024

Recent Surge in Cocoa Prices and Strategic Investments Led to a Slight Decline in Margins

Profit and Loss | Balance Sheet (in T CHF)

Profit and Loss	FY20	FY21	FY22	FY23	FY24
Total Revenue	6.893.146	7.207.595	8.091.855	8.470.525	10.386.283
COGS	(5.829.445)	(6.060.392)	(6.874.688)	(7.122.007)	(9.004.028)
Gross Profit	1.063.701	1.147.203	1.217.167	1.348.518	1.382.255
% of revenue	15,43%	15,92%	15,04%	15,92%	13,31%
SG&A	(580.549)	(580.515)	(663.681)	(689.168)	(936.128)
EBIT	483.152	566.688	553.486	659.350	446.127

Balance Sheet	FY20	FY21	FY22	FY23	FY24
Non-current Assets	2.800.098	2.977.940	3.001.582	2.910.993	2.979.370
Receivables	610.785	759.951	915.579	1.111.256	1.852.369
Inventory	1.909.917	2.043.333	2.426.485	2.925.732	5.622.400
Payables	(1.119.643)	(1.433.470)	(1.793.254)	(1.791.038)	(2.845.095)
TWC	1.401.059	1.369.814	1.548.810	2.245.950	4.629.674
Short-term deposits	6.251	1.467	1.824	128	137
Income tax receivables	62.099	74.854	70.623	54.751	96.874
Derivative financial assets	365.984	290.642	466.589	941.685	3.629.915
Bank overdrafts	(103.603)	(63.564)	(62.418)	(152.787)	(231.605)
Short-term debt	(461.375)	(119.427)	(449.967)	(466.373)	(1.264.751)
Short-term lease liabilities	(36.543)	(41.075)	(42.141)	(41.810)	(45.709)
Income tax liabilities	(100.829)	(115.351)	(114.840)	(132.253)	(201.623)
Derivative financial liabilities	(528.492)	(350.911)	(560.326)	(1.545.687)	(4.162.712)
Provisions	(19.894)	(31.154)	(88.952)	(67.454)	(127.343)
OWC	(816.402)	(354.519)	(779.608)	(1.409.800)	(2.306.817)
Long term debt	(2.006.328)	(1.930.054)	(1.302.026)	(900.040)	(2.988.094)
Long term lease liabilities	(150.325)	(224.464)	(222.504)	(236.002)	(266.222)
Provisions	(6.314)	(8.709)	(12.437)	(14.404)	(23.113)
Cash	1.385.976	1.095.831	878.197	488.203	978.214
Net financial debt	(776.991)	(1.067.396)	(658.770)	(662.243)	(2.299.215)
Employee benefit liabilities	(154.041)	(138.333)	(85.817)	(87.569)	(82.886)
Deferred tax liabilities	(79.999)	(86.298)	(106.991)	(87.209)	(65.769)
Other non-current liabilities	(18.457)	(15.991)	(14.860)	(12.978)	(12.737)
Net Assets	2.355.267	2.685.217	2.904.346	2.897.144	2.841.620
Equity	2.355.267	2.685.217	2.904.346	2.897.144	2.841.620

x Net Debt/EBIT 1,6x 1,9x 1,2x 1,0x 5,2x

Comments

- Margin Impact:** Margins decreased in 2024 due to a sharp rise in cocoa prices in 2023 and 2024
- SG&A Expenses:** SG&A increased significantly, driven by the BC Next Level strategy, totaling CHF 500 million in expenses
- Inventory Value:** Substantial increase in inventory value, primarily caused by the acceleration of cocoa bean prices
- Derivative Financial Assets:** Strong growth due to fair value adjustments, reflecting higher hedging prices

Base Case Only Explores the Impact of BC Next Level Investments

Base Case (in T CHF)

Profit and Loss - Base Case					
	FY25	FY26	FY27	FY28	FY29
1 Total Revenue	10.729.136	10.729.136	10.729.136	10.729.136	10.729.136
COGS	(9.119.766)	(9.119.766)	(9.119.766)	(9.119.766)	(9.119.766)
Gross Profit	1.609.370	1.609.370	1.609.370	1.609.370	1.609.370
2 % of revenue	15,00%	15,00%	15,00%	15,00%	15,00%
Less: Marketing and sales expenses	(171.590)	(172.636)	(168.234)	(169.581)	(170.901)
% of Revenue	1,6%	1,6%	1,6%	1,6%	1,6%
3 Less: General and administration expenses	(466.208)	(487.810)	(494.387)	(518.279)	(543.206)
% of Revenue	4,3%	4,5%	4,6%	4,8%	5,1%
Other income	13.544	13.544	13.544	13.544	13.544
Other expenses	(110.546)	(111.220)	(17.955)	(18.698)	(19.469)
% of Revenue	1,0%	1,0%	0,2%	0,2%	0,2%
4 EBIT	874.570	851.249	942.339	916.356	889.338
Taxes	(131.127)	(126.544)	(144.443)	(139.338)	(134.029)
D&A	337.954	337.954	337.954	337.954	337.954
Change in NWC	(155.775)	259.713	(100.287)	149.570	(600.000)
Operating Cashflow	718.363	1.115.113	828.304	1.057.283	286.005
Capex maintenance	(337.954)	(337.954)	(337.954)	(337.954)	(337.954)
Capex expansion	-	-	-	-	-
Capex	(337.954)	(337.954)	(337.954)	(337.954)	(337.954)
5 Free Cashflow	1.056.317	1.453.067	1.166.258	1.395.237	623.959
Revenue growth	3,30%	0,00%	0,00%	0,00%	0,00%
EBIT margin	8,15%	7,93%	8,78%	8,54%	8,29%
DSO	65	65	65	65	65
6 DIO	200	180	160	130	130
DPO	115	115	115	115	115
CCC	150	130	110	80	80

Comments

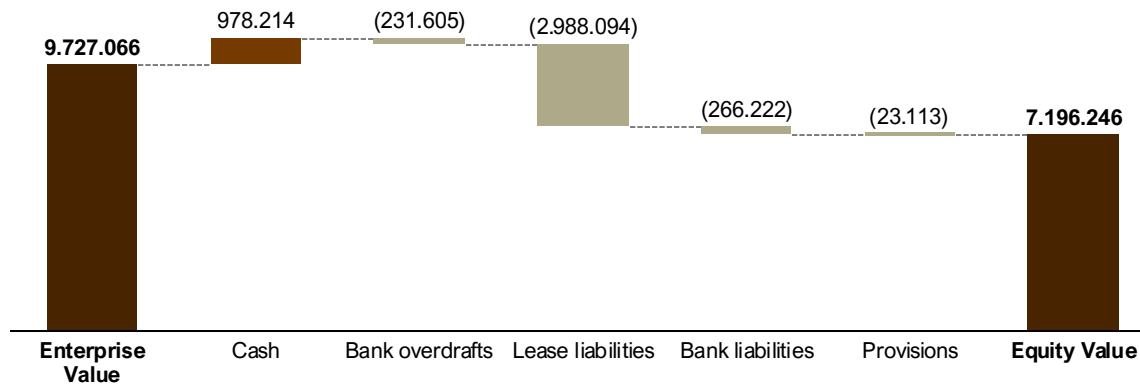
- 1 **Revenue:** Assumes no growth, with revenue remaining stable
 - 2 **Gross Margin:** Expected to remain stable due to strong pricing power
 - 3 **SG&A Expenses:** CHF 220 million in BC Next Level costs are non-recurring, leading to long-term stabilization
 - 4 **EBIT:** 75% of the CHF 250 million cost savings from BC Next Level are projected to directly improve EBIT
 - 5 **Free Cash Flow:** Anticipated to be low in 2029 due to refinancing obligations
- 6 **DSO:** Remains stable, aligned with industry norms

DIO: Stabilizes long-term after a sharp rise driven by elevated cocoa prices

DPO: Expected to stay steady, reflecting effective working capital management and stable payment terms

Analysis of Different Scenarios Always Leads to an Upside Potential

Equity Bridge (Base Case)



Base Case

- Implied share price: 1.305 CHF, representing a 16.7% upside compared to the current stock price of 1.123 CHF
- Assumes flat revenue growth and reflects conservative estimates

Bottom-Up Case

- Implied share price: 1.404 CHF, representing a 25% upside (or 0% upside with MoS)
- Reflects a bottom-up approach to revenue

In CHFm	Base case	Growth Case	Bottom-up Case
Enterprise Value	9.693.794,1	15.115.943,9	10.236.956,1
Net Debt	(2.530.820,0)	(2.530.820,0)	(2.530.820,0)
Equity value	7.162.974,1	12.585.123,9	7.706.136,1
Share price	1.305,0	2.292,9	1.404,0
Upside in %	16%	104%	25%
Upside with MoS in %	(7%)	63%	0%

Growth Case

- Implied share price: 2.293 CHF, representing a significant 104% upside (or 63% upside with Margin of Safety (MoS))
- Based on assumptions of accelerated revenue growth, supported by a higher Capex-to-D&A ratio

Analysis Signals Buy Despite Short-term Headwinds, Given BC Next Level Investments, Pricing Power and Favorable Financing Due to Size

Summary

Key drivers outweigh risks that cannot be fully mitigated

PROS

- **Largest B2B chocolate producer** with 2.3 million tons annually
- Cost-plus pricing model **offsets rising cocoa prices**
- **Lower cost of debt** vs. smaller competitors
- **High-margin Gourmet segment** (+9.8% volume growth) and BC Next Level **cost-savings program**
- Strong **ESG initiatives** aligning with consumer and regulatory demands
- Expanding in **high-growth markets** (Asia-Pacific, AMEA)
- **Experienced management team** with proven track record

CONS

- **+131% cocoa price surge** impacts cash flow and inventory valuations
- CHF -2.3bn FCF mostly caused by **higher inventory costs**
- **Lower growth in developed markets** reliant on emerging market expansion
- EU Deforestation Regulation **increases compliance complexity**
- **Elevated interest expenses** to fund increased working capital

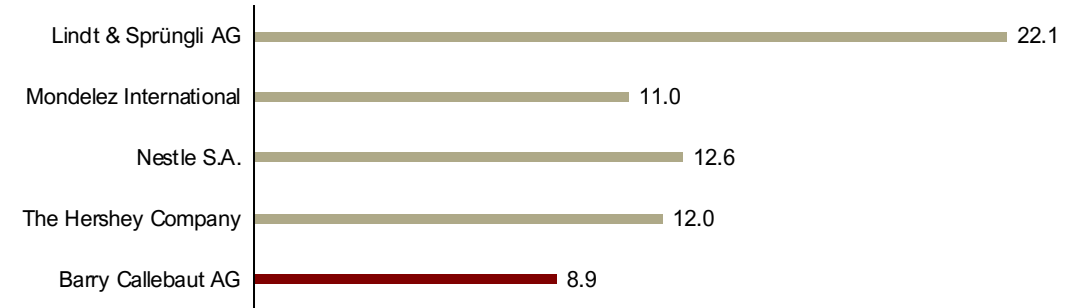
Current Share Price (CHF) 1.123

Implied Share Price (CHF) 1.404 (+16%), Growth: 2.293 (+63%)

We think this is a Buy!

Valuation Summary

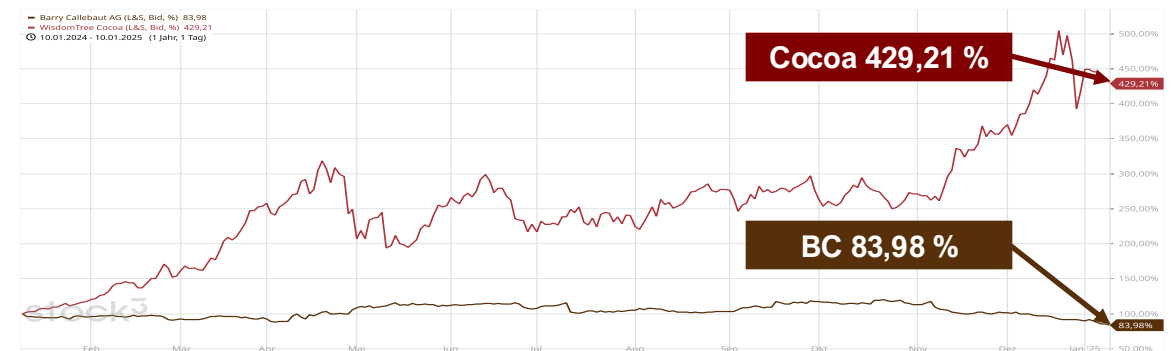
EV/EBITDA indicates share price of **CHF 1.303**



Source: Annual Reports of each company, Yahoo Finance (per 17.01.2025)

Hedge

To mitigate the greatest risk of rising cocoa prices, investment in Cocoa ETF



Stock3 (10.01.25): WisdomTree Cocoa (JE00B2QXZK10), Barry Callebaut (CH0009002962), 1-year performance (indexed)