

# Massimo Zanetti

MASSIMO ZANETTI  
BEVERAGE GROUP



## H1 2017 Results Massimo Zanetti Beverage Group

Villorba, 8<sup>th</sup> of August, 2017



BONCAFÉ

restaurant  
BONcaféVino

BONCHOCO™

BONTEA  
SIGNATURE COLLECTION



Café Mag



Chock  
full o' Nuts



HILLS  
BROS.  
CAPPUCCINO

KAUAI  
COFFEE®

Kultti  
Katriina

meira



Puccino's™



MEIRAN  
Reilu  
KAHVI

Saludo



# Safe Harbour Statement

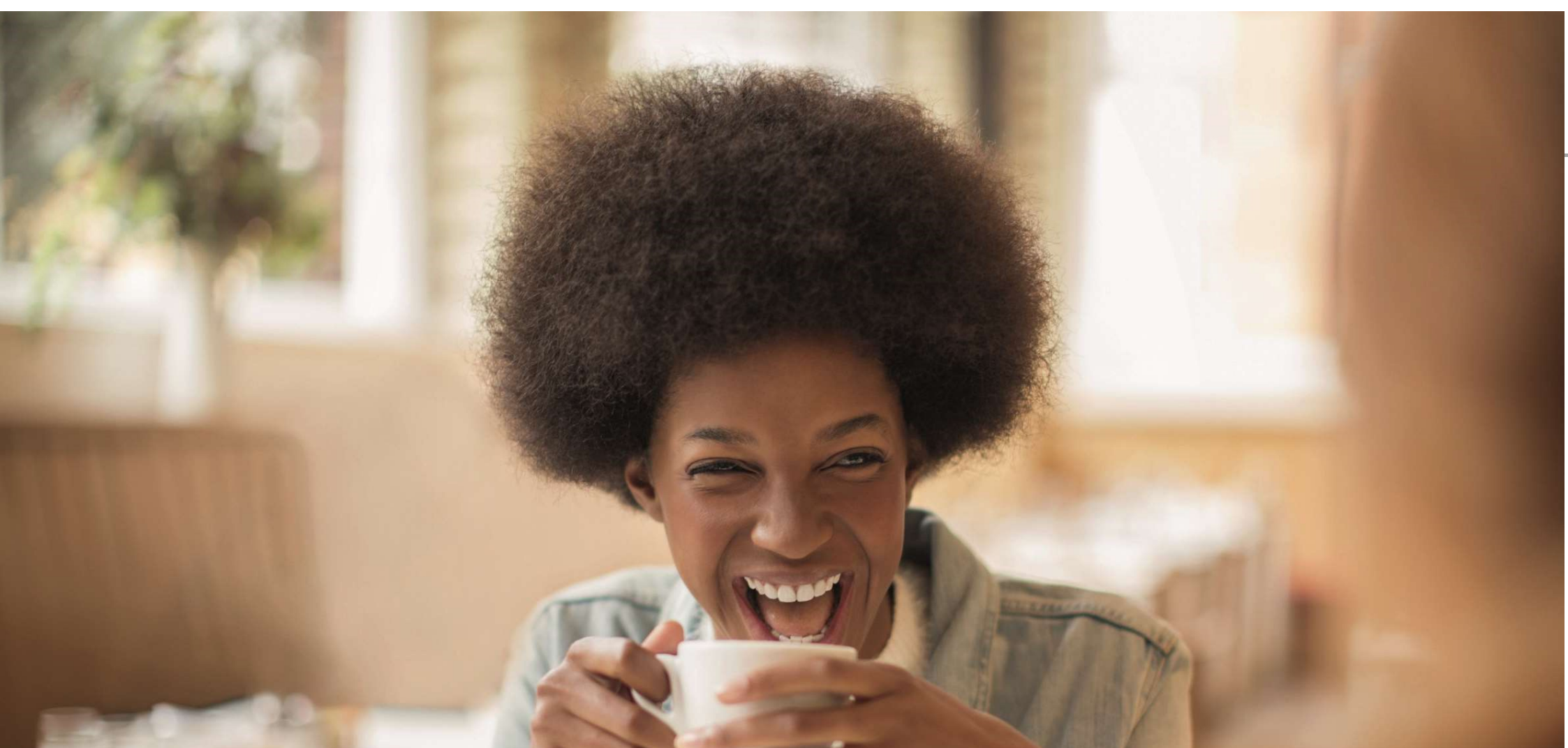
This document, and in particular the section entitled “2017 Outlook”, contains forward-looking statements, which reflect current views of the management of Massimo Zanetti Beverage Group S.p.A, (the “**Company**”) with respect to future events and financial and operational performance of the Company and its subsidiaries (the “**Group**”) , These statements may include terms such as “may”, “will”, “expect”, “could”, “should”, “intend”, “estimate”, “anticipate”, “believe”, “remain”, “on track”, “design”, “target”, “objective”, “goal”, “forecast”, “projection”, “outlook”, “prospects”, “plan”, or similar terms, Forward-looking statements are not guarantees of future performance, Rather, they are based on the Company’s current expectations and projections about future events and, by their nature, are subject to inherent risks and uncertainties, They relate to events and depend on circumstances that may or may not occur or exist in the future and, as such, undue reliance should not be placed on them, Any reference to past performance or trends or activities of the Group shall not be taken as a representation or indicate performance, trends or activities will continue in the future,

Actual results may differ materially from those expressed in or implied by such statements as a result of a variety of factors, including: the Group’s ability to preserve and enhance the value of its brands; changes in client preferences and trends; changes in the general economic environment; the Group’s ability to successfully carry out its growth strategy and, particularly, the Group’s ability to grow its presence in emerging market countries; competition in the coffee industry; increases in commodity costs, disruptions of supply or shortages raw materials; disruptions at the Group’s manufacturing facilities; the Group’s ability to protect its intellectual property rights and to avoid infringing on the intellectual property rights of others; product recalls and liability claims; exchange rate fluctuations, interest rate changes, credit risk and other market risks; potential conflicts of interest due to director and officer overlaps with the Group’s largest shareholders and other factors discussed elsewhere in this document,

Any forward-looking statements contained in this document speak only as of the date of this document and the Company does not undertake any obligation to update or revise publicly forward-looking statements to reflect events or circumstances occurring after the date hereof, Further information concerning the Group and its businesses, including factors that could materially affect the Company’s financial results, is included in the Company’s reports and filings with Borsa Italiana S.p.A, and CONSOB,

This document does not constitute an offer to sell or the solicitation of an offer to buy the Company’s securities, nor shall the document for the basis of or be relied on in connection with any contract or investment decision relating thereto, or constitute a recommendation regarding the securities of the Company, The Company’s securities referred to in this document have not been and will not be registered under the U.S, Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements,

Massimo Zuffi, the manager in charge of preparing the corporate accounting documents, declares that, pursuant to art, 154-bis, paragraph 2, of Legislative Decree no, 58 of February 24, 1998, the accounting information contained herein corresponds to document results, books and accounting records,



# 1. Key messages

# Key Highlights



- Product and Channel Mix improved with branded revenue more than 50%
- Food Service up 16.7% in volumes
- Single Serve up 64.5% in volumes and 41.7% in Revenue
- Organic Coffee Gross Profit per kg improved by 2.8%



## M&A

- Nutricafés integration started: closing by end of Q3
- APAC: Australian distributor



## UPDATE

- Global ERP evaluation: phase 1 completed (on plan)
- Organizational structure continues to evolve
- 2017 Outlook Confirmed

A man with dark hair and glasses, wearing a light blue button-down shirt and a dark tie, is looking down at a white coffee cup on a saucer he is holding. He is standing on a balcony with a metal railing, and a city skyline is visible in the background under bright sunlight.

## 2. H1 2017 Results

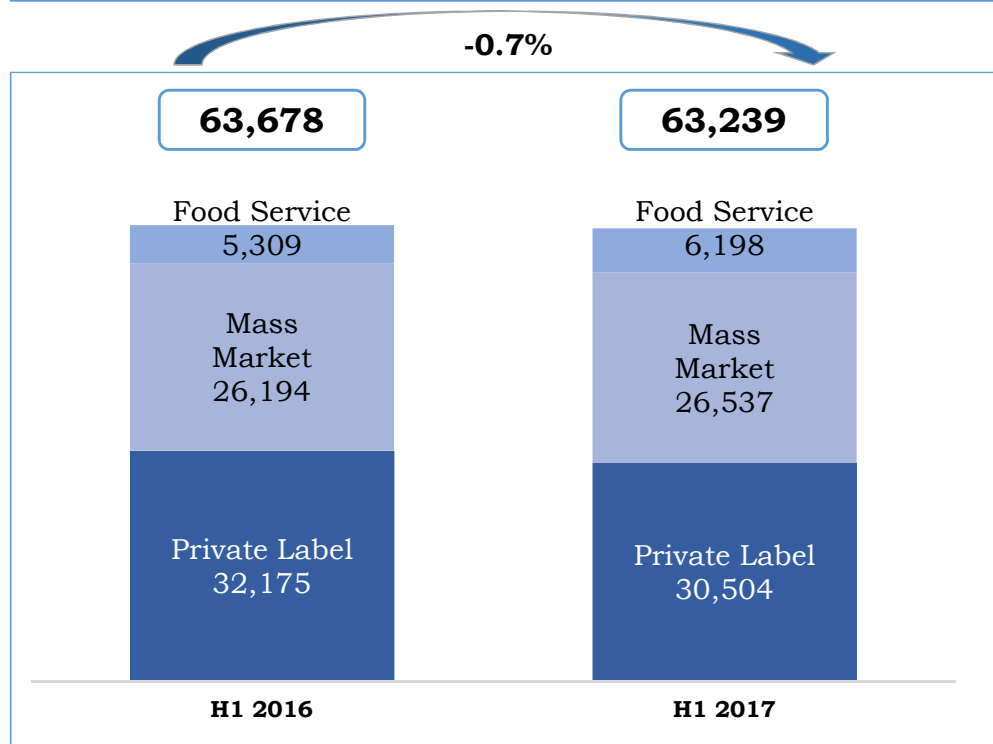
# Financial Highlights

Volumes	63,239 tons <b>-0.7%</b>
	Food Service: +16.7% Mass Market: +1.3% Private Label: -5.2%
Revenue	€ 475.6M <b>+7.4%</b>
	Food Service growth +13.4%
Gross Profit	€195.9M <b>+6.3%</b>
EBITDA	€ 29.1M + <b>9.1%</b>
NET DEBT	€ 247.0M + <b>€26.1M</b>



# Volumes and Revenue by Channel: Mix Improving

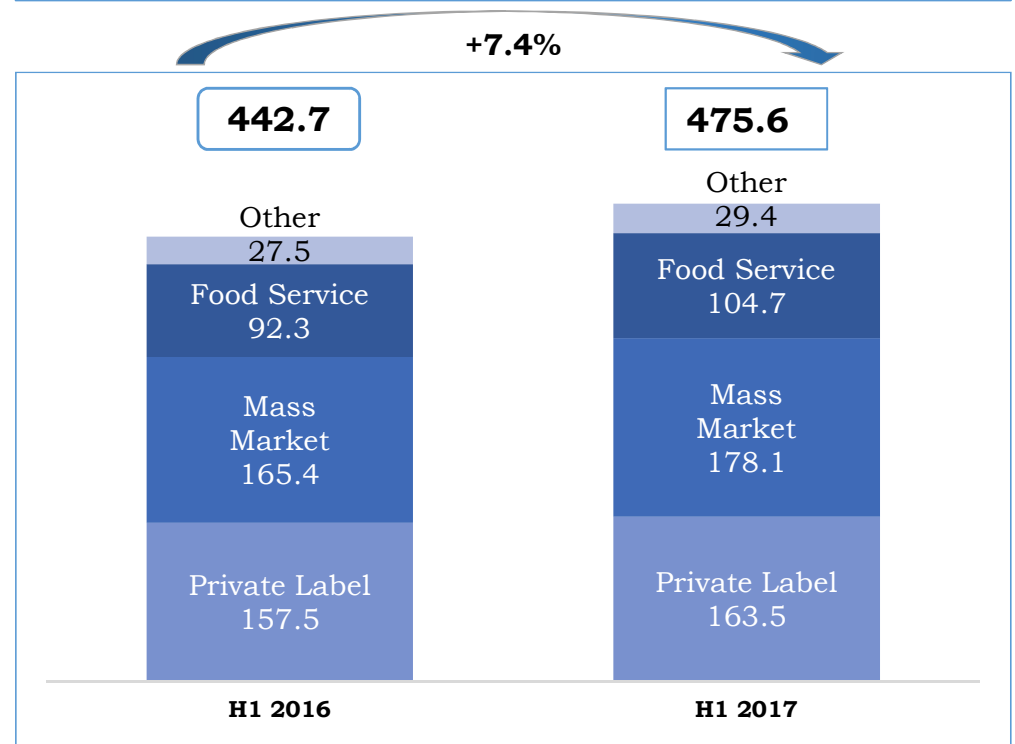
Roasted coffee volumes sold by distribution channel (in Tons)



Single Serve: Volumes +64.5%

- **Food Service +16.7%**, with growth in all regions. Food service accounts for 9.8% of total volumes.
- **Mass Market: +1.3%**, mainly in Southern Europe and Asia. Mass Market accounts for 42.0% of total volumes.
- **Private Label -5.2%** mainly led by US customer. PL accounts for 48.2% of total volumes.

Revenue by distribution channel (in Euro M.)

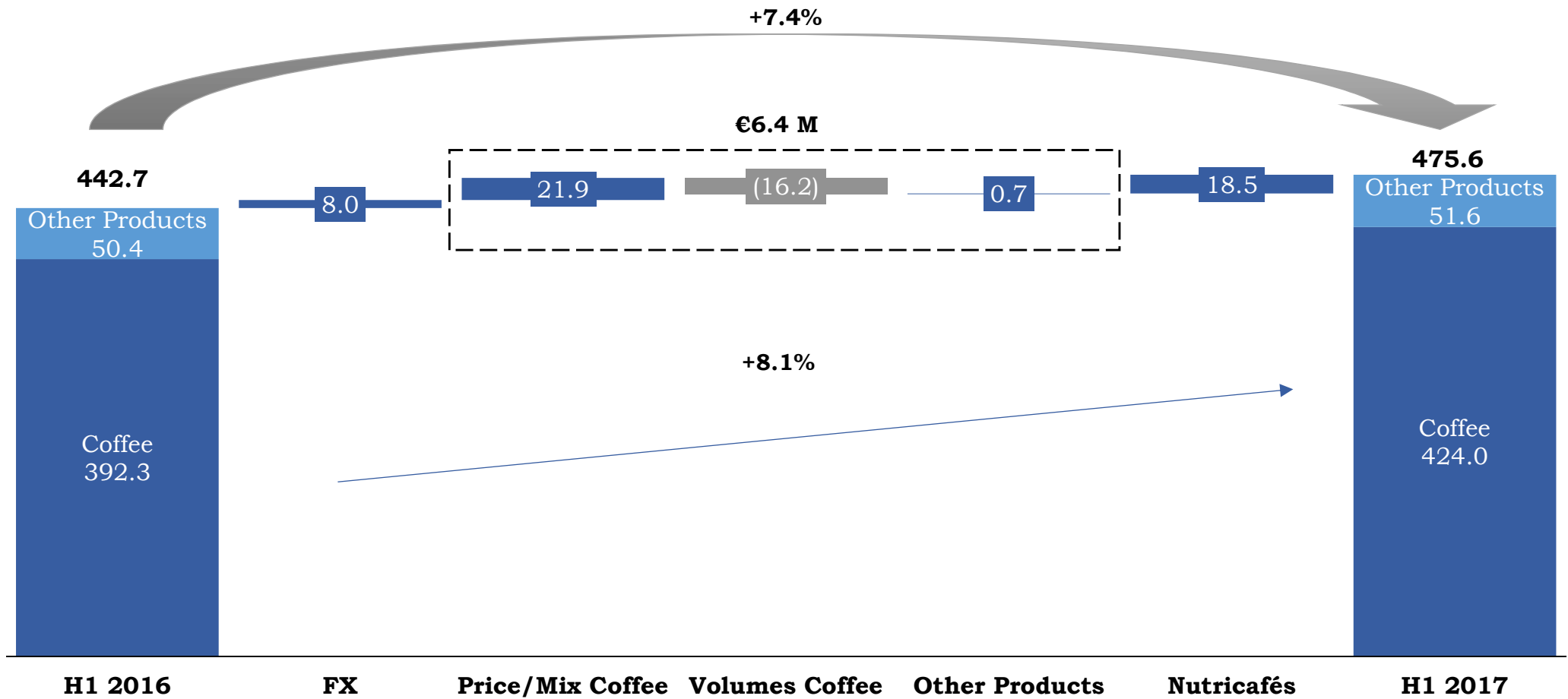


Single Serve: Revenue +41.7%

- **Food Service +13.4%**
- **Mass Market: +7.6%**
- **Private Label +3.8%**

# Revenue Bridge: Branded Revenues Increase

(€M)



■ Price/Mix and channel growth more than offsets softness in volumes



## KEY FACTS

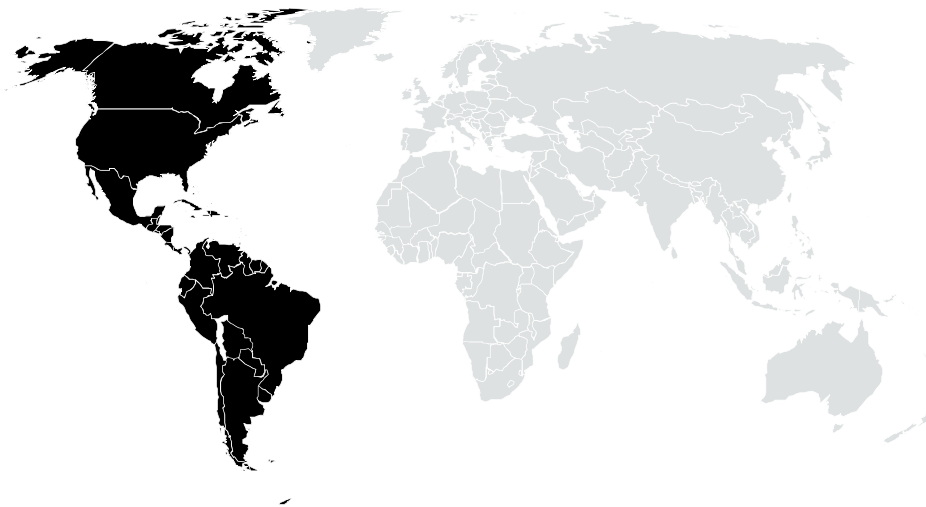
	H1 2017	H1 2016	Delta %
Volume - Tons	37,134	39,526	-6.1%
Revenue – Euro M	227.2	220.6	+3.0%

- Volumes impacted from Private Label YoY customer changes;
- Food Service volumes and revenues up driven by continued growth in national and OCS accounts;
- Mass Market up in Q2 reversing the trend;
- Product/channel mix driving up the ASP and offsetting the decline in volume
- Single Serve growth continues its positive trend and is outpacing the market;
- Central America volumes and revenues benefiting from new product placements and a relaunch with a major customer

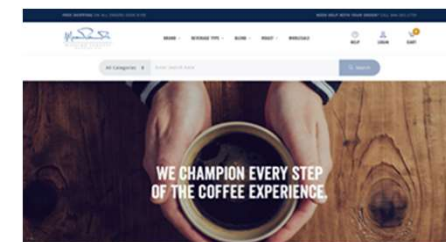
## UPDATES

- Launched Chock Full o' Nuts Cuban roast
- E-commerce new platform implemented with revenues up 35%
- Segafredo “Coffee Now Crafted Here” Food Service program launched with premium range of products;
- New Segafredo Cafè concept opened at strategic customer headquarters

## MARKET: 58.7% of total volume



## NEW LAUNCHES



# Northern Europe

## KEY FACTS

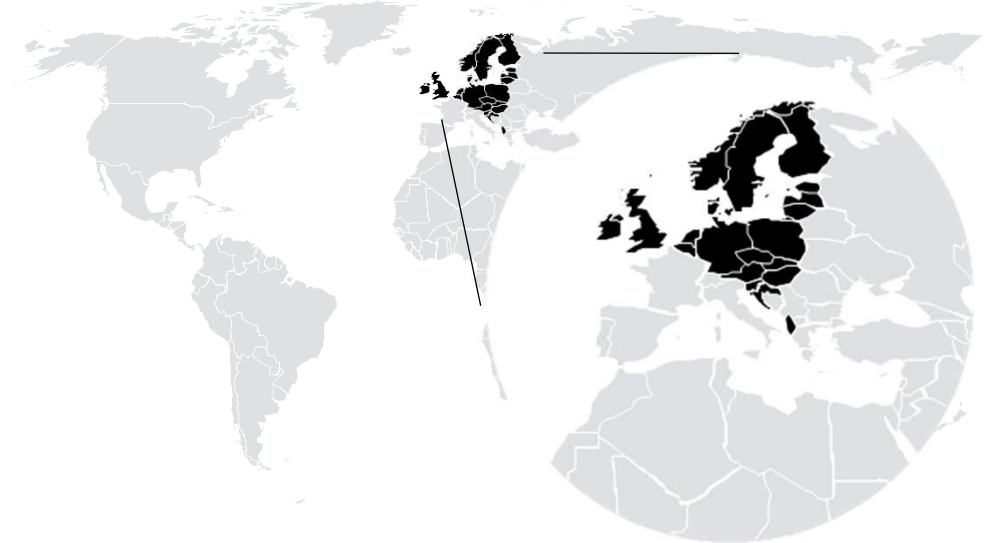
	H1 2017	H1 2016	Delta %
Volume – Tons	10,185	10,183	-
Revenue – Euro M	89.8	85.4	+5.1%

- Volumes ahead of expectations;
- Food Service growing led by existing customers as well as new acquisitions;
- Mass Market:
  - Q2 performance totally recovered Q1 trend across the region;
  - Finland: Q2 excellent performance notwithstanding significant increase in ASP
  - Poland strongly up driven by both existing and new key accounts;
  - Austria: promotion ROI optimization increase
- Revenue up driven by product/channel mix and ASP;

## UPDATES

- Development and expansion of sustainable platform across the region;
- Food Service:
  - NL/Austria SZ Organic;
- Mass Market:
  - In Austria and NL Single Serve Compatible Nespresso;
- Successful launch in Finland of Kultra Katrina Darker Dark exceeding our expectation;

## MARKET: 16.1% of total volumes



## NEW LAUNCHES



# Southern Europe

## KEY FACTS

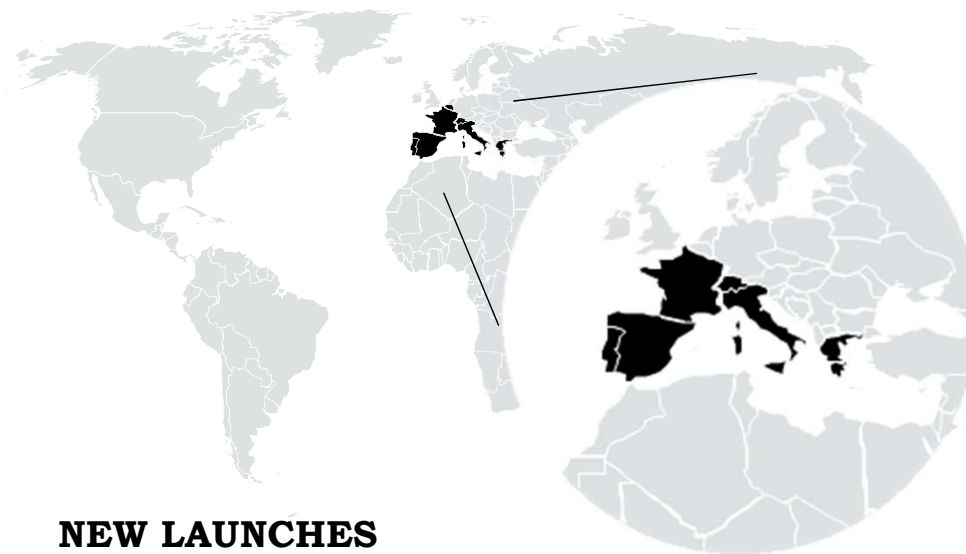
	H1 2017	H1 2016	Delta %
Volume – Tons	14,663	12,948	+13.2%
Revenue – Euro M	121.4	103.8	+17.0%

- Volumes up in all distribution channels;
- Nutricafés contribution 2,200 tons in Portugal;
- Food Service drove the growth;
- Mass Market up mainly in Italy and Portugal;
- Continue strong growth in Single Serve that triplicates volumes led by Nutricafés impact and successful launches/relaunches of Segafredo in Italy, France, Spain, Portugal and Greece;
- Revenue up led by to price increase and channel mix.

## UPDATES

- SZ and Nutricafes integration started and expected to close by Sept 2017;
- Launch of Nicola capsules in Horeca channel
- Inauguration of new “Scuola Del Caffè” located in our client 5\* Hotel du Collectionneur in Paris;
- Launch of beans premium ranges in France: Segafredo «le Origini» and San Marco;
- New Segafredo range brand image improvement;
- Strong activation of TREK-Segafredo sponsorship: official coffee partner and provider of 100° Giro d'Italia and La Vuelta in Spain; official sponsor of «Ciclaminio» jersey; official sponsor of several Granfondo cycling events.

## MARKET: 23.2% of total volumes



## NEW LAUNCHES



# Asia, Pacific and Cafés

## KEY FACTS

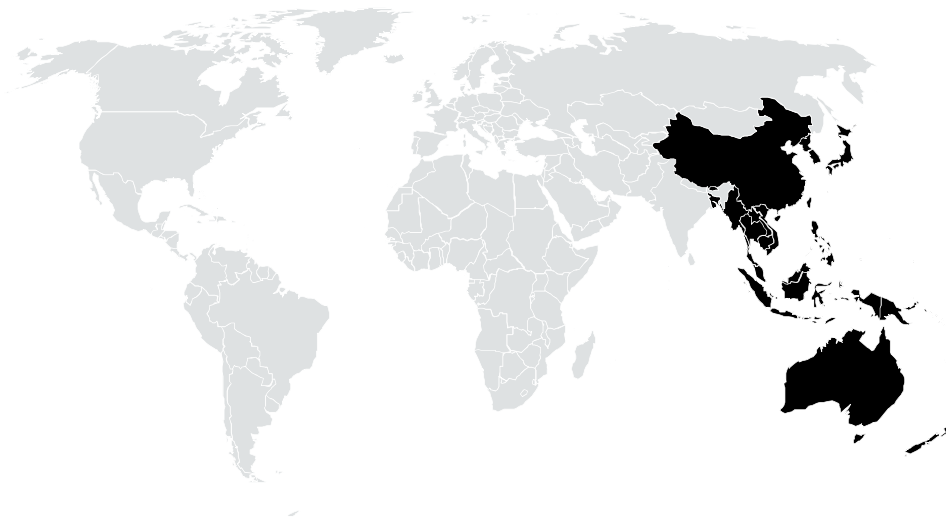
	H1 2017	H1 2016	Delta %
Volume - Tons	1,257	1,022	+23.0%
Revenue – Euro M	37.1	32.9	+12.8%

- Volumes up in all distribution channel;
- Food Service up led by Thailand and Singapore;
- Mass Market up double digit mostly in Thailand and Middle East;
- Single serve continue to grow;
- Revenue growth in spite of price pressure, machines sales back to normal;

## UPDATES

- Cafè de Coral Quick restaurant Chain in HK;
- True Blue Australian distributor;
- Asian Sustainable Coffee Distribution
- Launch in Thailand: «San Marco 85 Roma» coffee machines
- Launch in Thailand of «Capristta» coffee machine;
- Cafè: positive development worldwide

## MARKET: 2.0% of total volumes



## NEW LAUNCHES

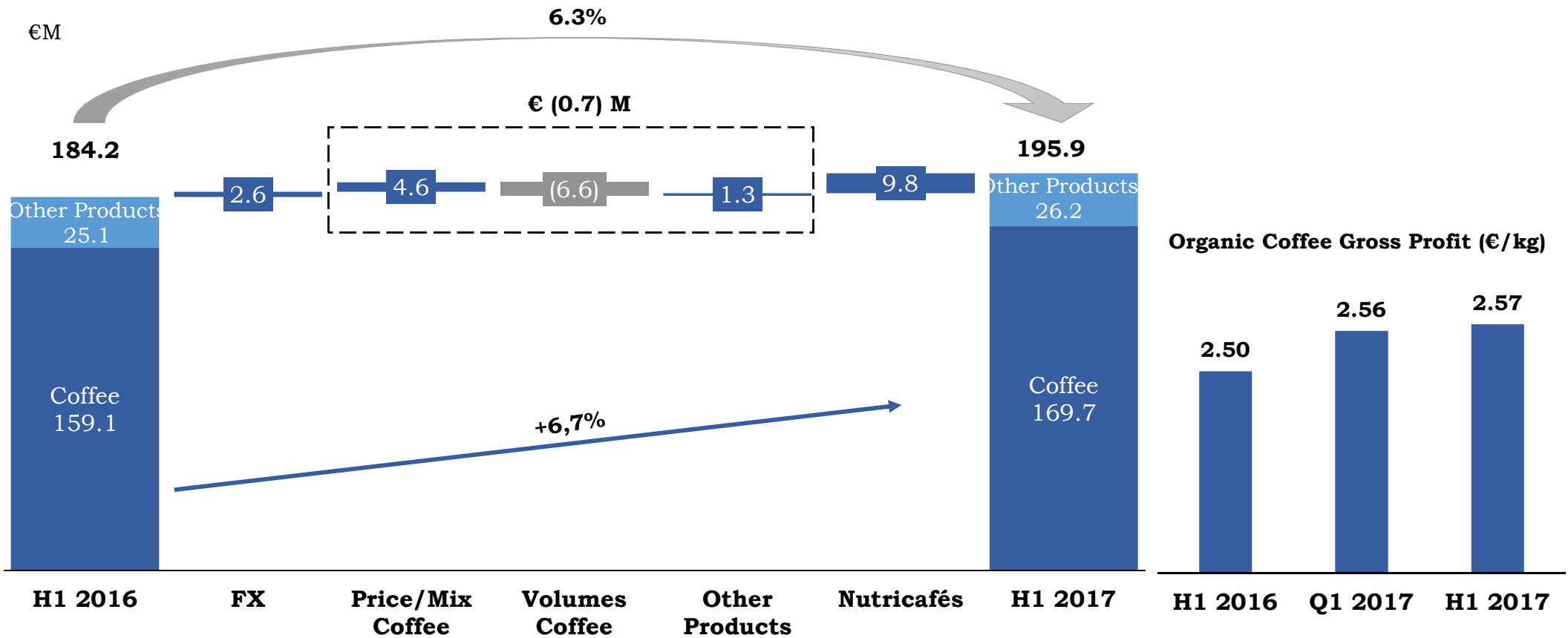


# Global Brand Awareness

Continue to rollout openings of our various concepts

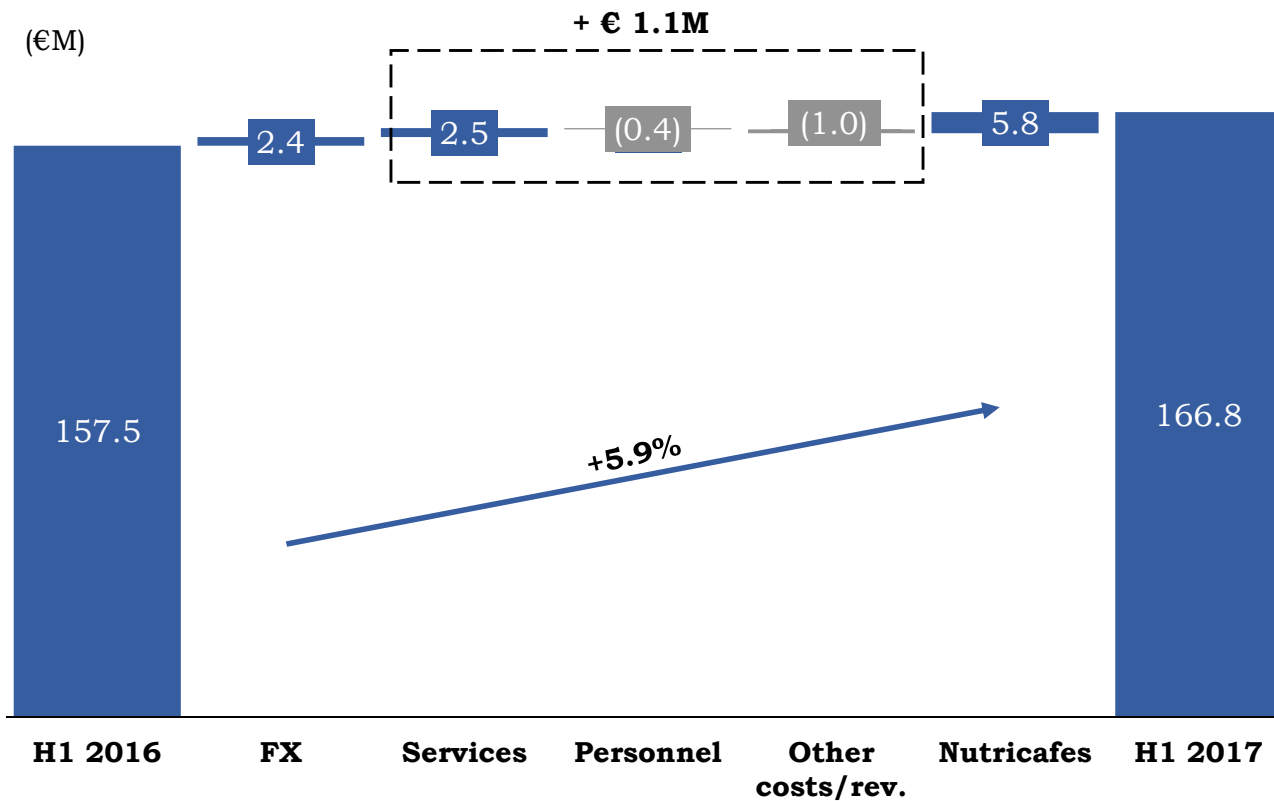


# Gross Profit: Growth continues



■ Organic Coffee GP continue to growth;

# OPEX: Stabilizing



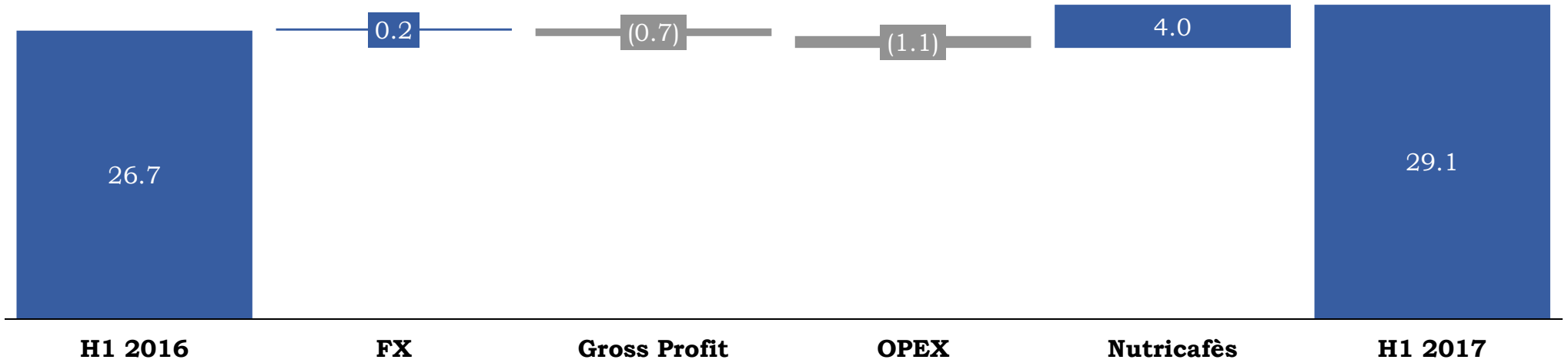
Organic Opex	Q1 17	Q2 17	H1 17
Services	0.6	1.9	2.5
Personnel	1.6	(2.0)	(0.4)
Other costs/ (revenues)	-	(1.0)	(1.0)
<b>Total</b>	<b>2.2</b>	<b>(1.1)</b>	<b>1.1</b>

- Organic OPEX up € 1.1M mainly related to services costs

# EBITDA

(€M)

+9.1%



- Organic Q2 EBITDA shows improvement vs Q1 in line with Group expectation



# Free Cash Flow

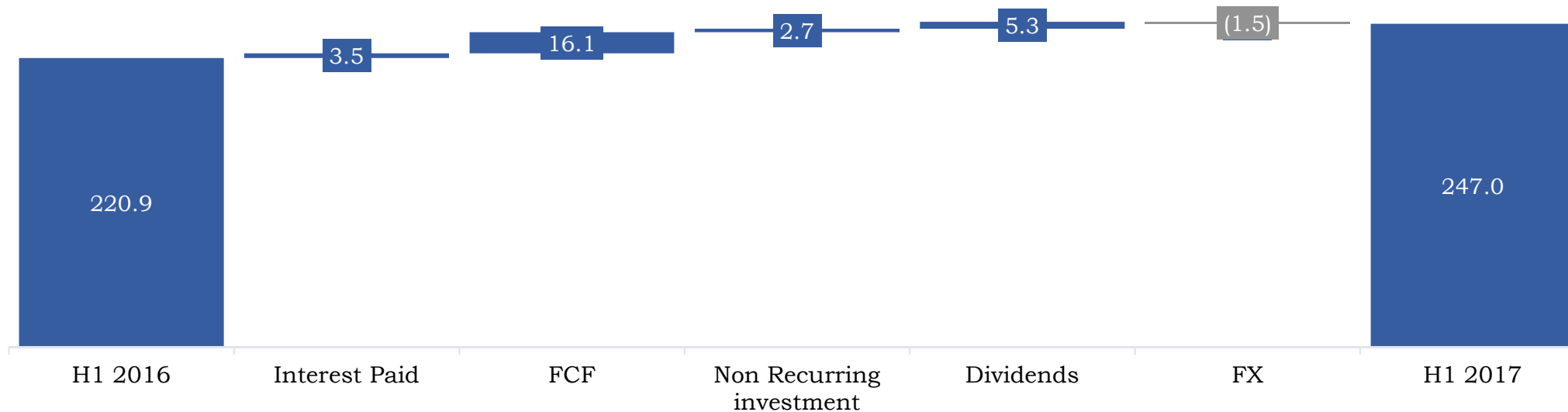
(€M)	H1 2016	Q1 2017	H1 2017
EBITDA	26.7	13.9	29.1
Change in NWC	32.2	(16.5)	(25.2)
CAPEX	(14.2)	(7.9)	(19.1)
Taxes	(3.1)	(0.9)	(2.8)
Others	2.8	1.3	1.9
<b>FREE CASH FLOW</b>	<b>44.4</b>	<b>(10.1)</b>	<b>(16.1)</b>

(€M)	H1 2016	2017	
		Q1	H1
Change in Inventory	11.4	(20.2)	(15.4)
Change in Trade Receivables	(5.1)	(5.3)	(13.0)
Change in Trade Payables	24.2	9.1	2.5
Change in other Assets/Liabilities	1.7	(0.1)	0.7
<b>Change in Net Working Capital</b>	<b>32.2</b>	<b>(16.5)</b>	<b>(25.2)</b>

- Change in NWC still affecting FCF;
- CAPEX increased for timing issue - the Group accelerating implementation of projects to drive efficiencies

# Net Financial Position

(€M)



Debt Profile	December 2016	June 2017
Fixed Interest Rate (1)	11%	43%
Variable Interest Rate	89%	57%
EURO	84%	87%
USD	16%	13%

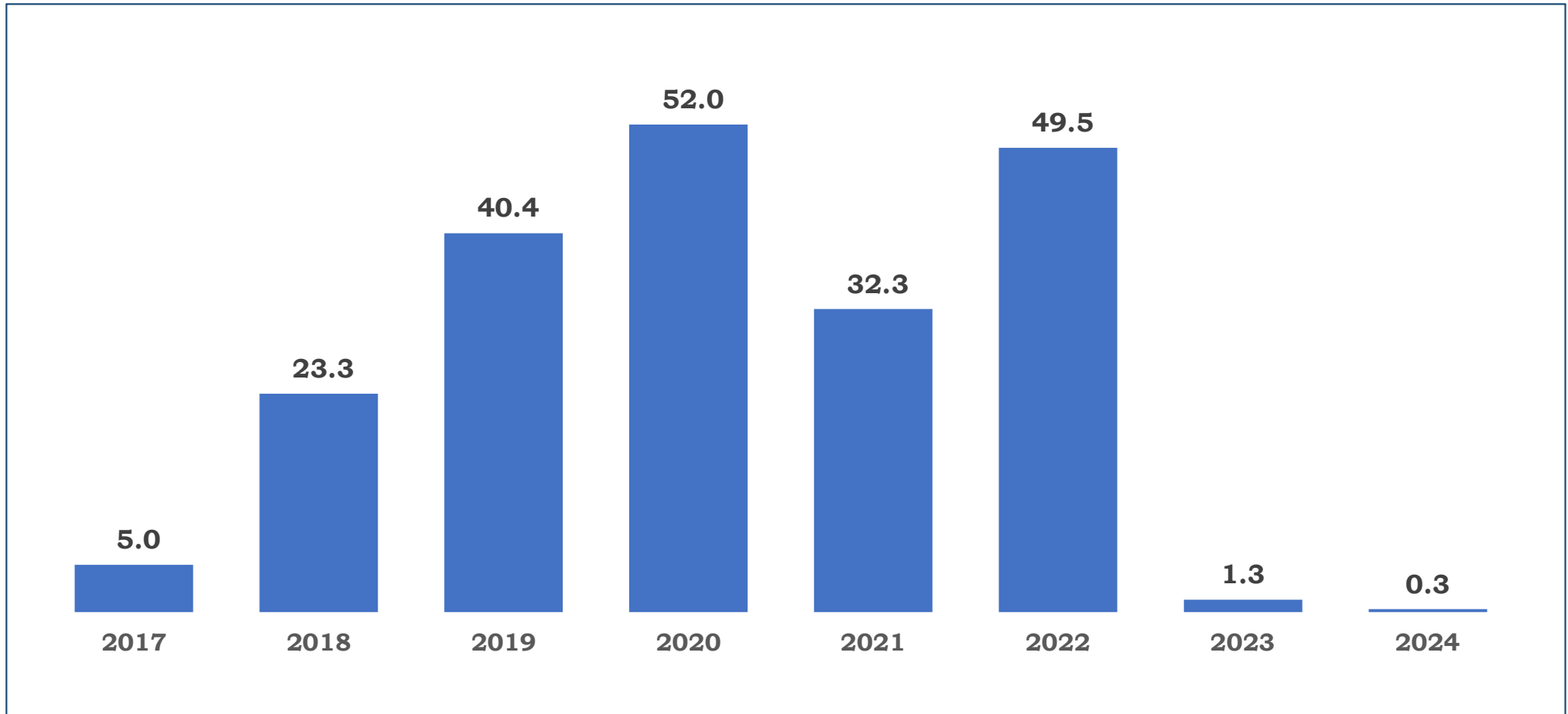
- NFP increase by € 26,1M driven by FCF;

(1) After considering the effect of Interest Rate Swap

# Debt Maturity Profile

(€M)

## Euro denominated debt



# 2017 Outlook

## H1 2017 Financial Results

Volumes -0.7%

Gross Profit +6.3%

EBITDA +9.1%

NET DEBT €247.0 M

## 2017 Outlook\*

Volumes ~+2.0% - ~+4.0%

Gross Profit ~ +5.0% - ~+7.0%

EBITDA ~ +10.0% - ~ +12.0%

NET DEBT € < 210.0 M

▪ This guidance does not include any M&A activity as well as any extraordinary events



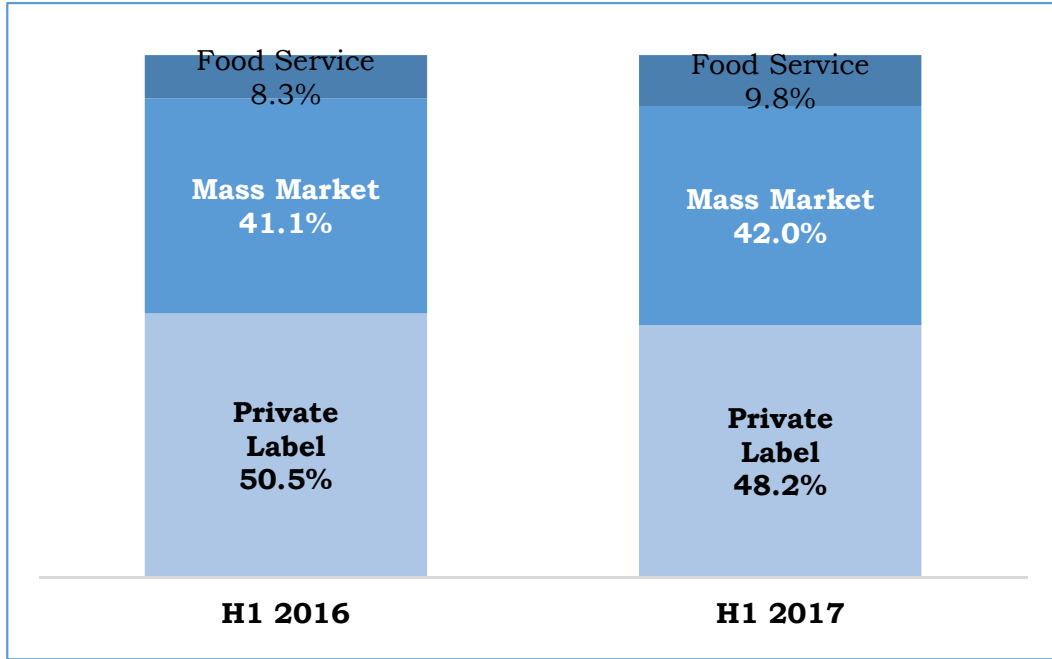
# Appendix

# Green Coffee Price

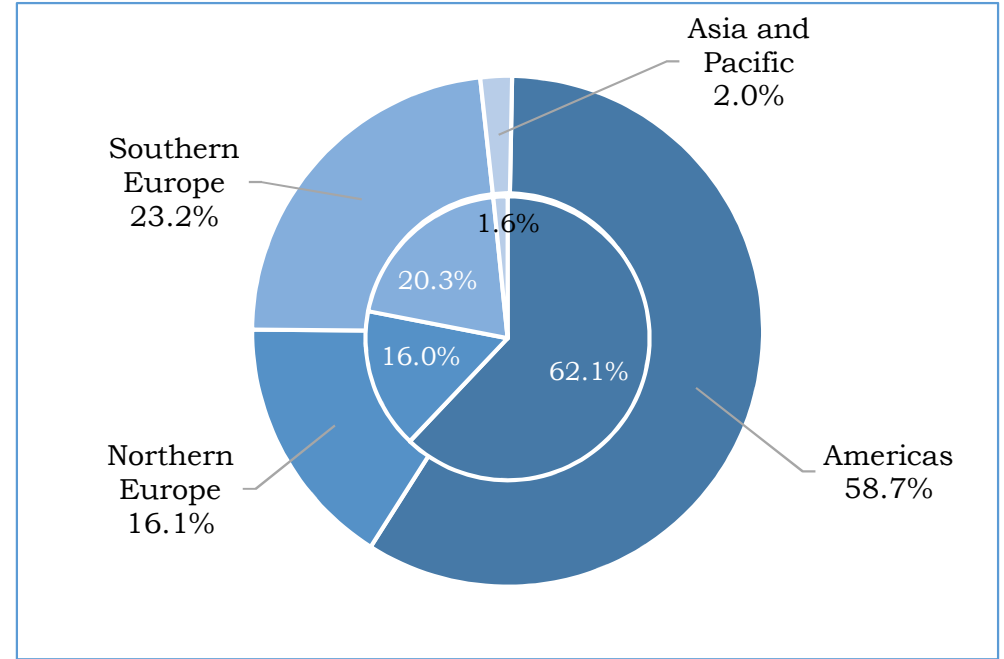


# Volume Breakdown

**By Channel (%)**



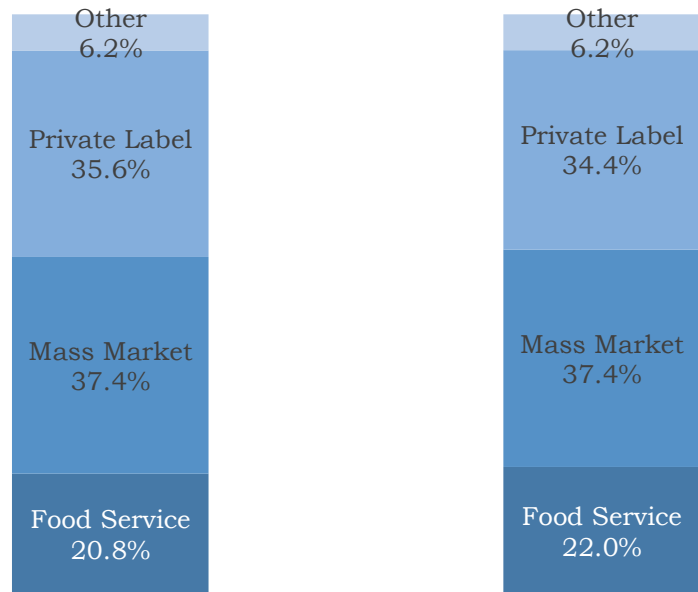
**By geography (%)**



Internal pie: H1 2016 data  
External pie: H1 2017 data

# Revenue Breakdown

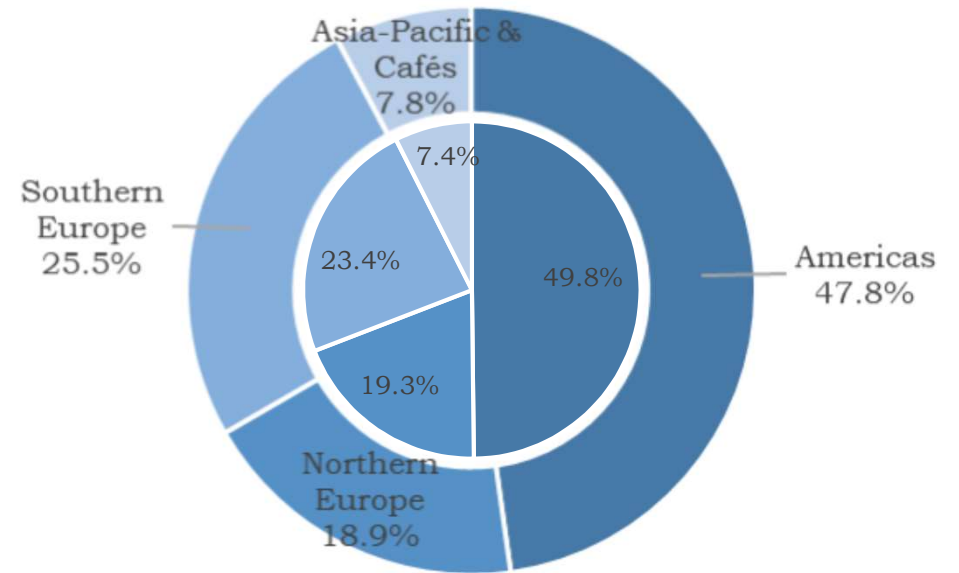
**By Channel (%)**



**H1 2016**

**H1 2017**

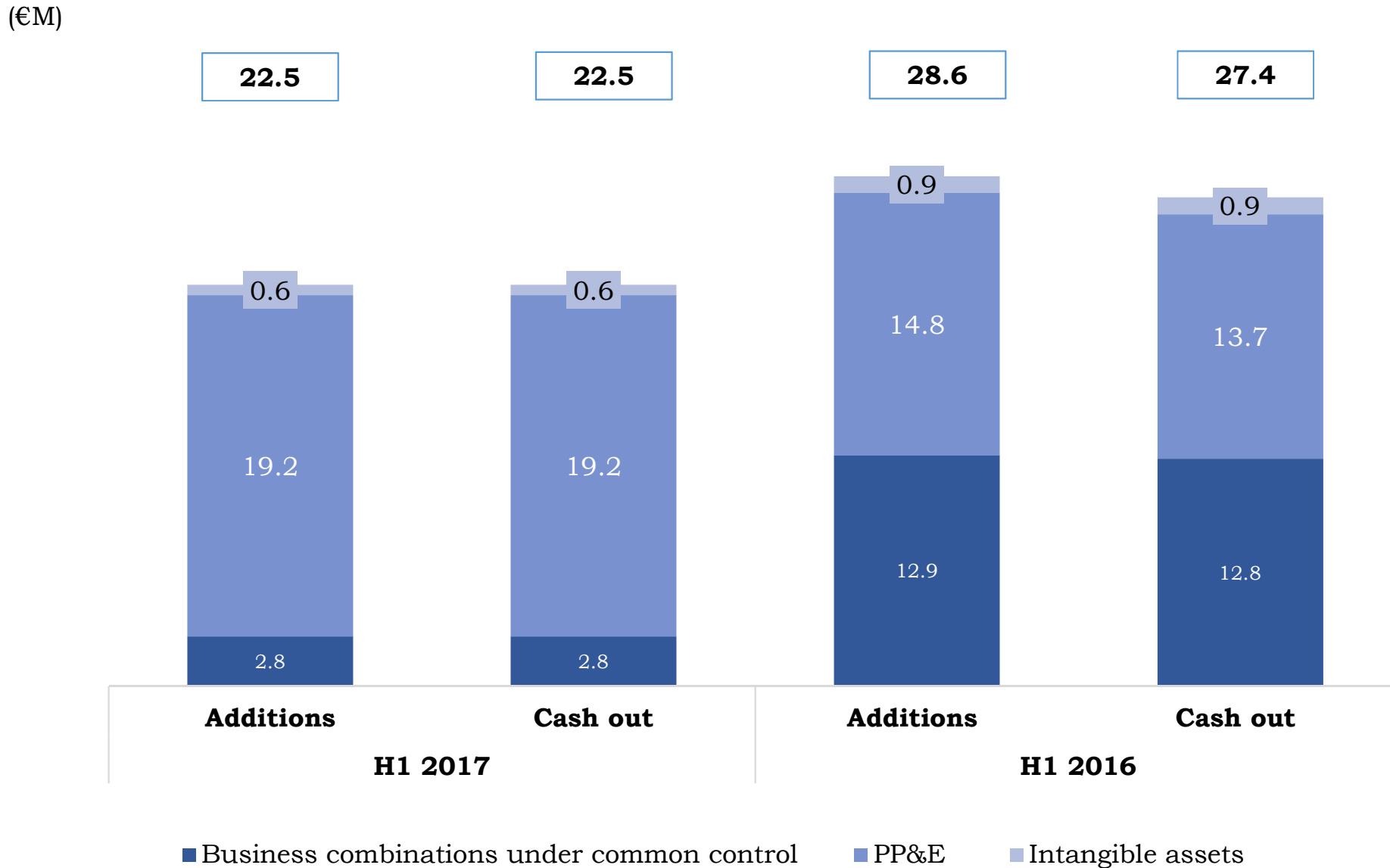
**By geography (%)**



Internal pie: H1 2016 data  
External pie: H1 2017 data



# Capex Profile



# Consolidated Income Statement

<i>(in thousands of euro)</i>	Six months ended June 30,	
	2017	2016
Revenue	475,563	442,728
Other income	3,352	3,009
Purchases of goods	(279,649)	(258,482)
Purchases of services, leases and rentals	(92,112)	(85,471)
Personnel costs	(72,911)	(69,141)
Other operating costs	(3,401)	(3,530)
Amortization, depreciation and impairment	(20,033)	(17,961)
<b>Operating profit</b>	<b>10,809</b>	<b>11,152</b>
Finance income	151	130
Finance costs	(3,295)	(2,936)
Profit/(loss) on equity consolidated companies	(440)	(4)
<b>Profit before tax</b>	<b>7,225</b>	<b>8,342</b>
Income tax expense	(2,822)	(3,186)
<b>Profit for the period</b>	<b>4,403</b>	<b>5,156</b>
Profit attributable to:		
<i>Non-controlling interests</i>	107	112
<i>Owners of the parent</i>	4,296	5,044
<b>Earnings per share basic / diluted (in Euro)</b>	<b>0.13</b>	<b>0.15</b>

# Consolidated Statement of Financial Position

<i>(in thousands of euro)</i>	June 30, 2017	December 31, 2016*
Intangible assets	187.074	190.943
Property, plant and equipment	217.047	220.173
Investment properties	4.267	4.319
Investments in joint venture/associates	10.525	10.943
Non-current trade receivables	4.081	4.129
Deferred tax assets	11.014	10.279
Other non-current assets	15.941	16.036
<b>Total non-current assets</b>	<b>449.949</b>	<b>456.822</b>
Inventories	144.986	132.858
Trade receivables	129.218	120.074
Income tax assets	2.476	1.611
Other current assets	16.718	22.014
Cash and cash equivalents	55.844	45.167
<b>Total current assets</b>	<b>349.242</b>	<b>321.724</b>
<b>Total assets</b>	<b>799.191</b>	<b>778.546</b>
Share capital	34.300	34.300
Other reserves	105.435	124.738
Retained earnings	152.803	149.057
<b>Equity attributable to owners of the parent</b>	<b>292.538</b>	<b>308.095</b>
Non-controlling interests	1.788	1.849
<b>Total equity</b>	<b>294.326</b>	<b>309.944</b>
Non-current borrowings	217.962	192.117
Employee benefits	9.414	9.268
Other non-current provisions	3.126	3.949
Deferred tax liabilities	27.955	29.069
Other non-current liabilities	3.306	3.345
<b>Total non-current liabilities</b>	<b>261.763</b>	<b>237.748</b>
Current borrowings	88.084	77.430
Trade payables	122.830	122.209
Income tax liabilities	540	644
Other current liabilities	31.648	30.571
<b>Total current liabilities</b>	<b>243.102</b>	<b>230.854</b>
<b>Total liabilities</b>	<b>504.865</b>	<b>468.602</b>
<b>Total equity and liabilities</b>	<b>799.191</b>	<b>778.546</b>

\*The items of current and non-current receivables from clients, intangible assets and deferred tax assets have been reclassified to improve comparability with the corresponding balances as at 30 June 2017

# Consolidated Statement of Cash Flows

<i>(in thousands of euro)</i>	Six months ended June 30	
	2017	2016
Profit before tax	7,225	8,342
Adjustments for:		
Depreciation, amortization and impairment	20,033	17,961
Provisions for employee benefits and other charges	370	274
Finance expenses	3,144	2,810
Other non-monetary items	351	144
<b>Net cash generated from operating activities before changes in working capital</b>	<b>31,123</b>	<b>29,531</b>
Decrease/(Increase) in inventory	(15,361)	11,410
Decrease/(Increase) in trade receivables	(13,017)	(5,098)
(Decrease)/Increase in trade payables	2,528	24,217
Changes in other assets/liabilities	791	2,459
Payments of employee benefits	(147)	(797)
Interest paid	(3,476)	(3,640)
Income tax paid	(2,846)	(3,090)
<b>Net cash generated (absorbed) from operating activities</b>	<b>(405)</b>	<b>54,992</b>
Acquisition of subsidiary, net of cash acquired	(1,934)	(148)
Acquisition under common control, net of cash acquired	-	(2,624)
Purchase of property, plant and equipment	(19,183)	(13,738)
Purchase of intangible assets	(578)	(949)
Proceeds from sale of property, plant and equipment	630	412
Proceeds from sale of intangible assets	6	49
Investment in joint venture and associates	(840)	(10,139)
Increase in financial receivables	191	(187)
Interest received	60	92
<b>Net cash used in investing activities</b>	<b>(21,648)</b>	<b>(27,232)</b>
Proceeds from long-term borrowings	41,740	20,000
Repayment of long-term borrowings	(20,810)	(12,016)
Increase/(decrease) in short-term loans	17,551	(29,537)
Share capital increase	-	-
Dividend paid	(5,305)	(3,087)
<b>Net cash generated (absorbed) from financing activities</b>	<b>33,176</b>	<b>(24,640)</b>
Exchange gains/(losses) on cash and cash equivalents	(446)	(201)
<b>Net increase in cash and cash equivalents</b>	<b>10,677</b>	<b>2,919</b>
Cash and cash equivalents at the beginning of the year	45,167	25,574
<b>Cash and cash equivalents at the end of the year</b>	<b>55,844</b>	<b>28,493</b>

# Non-GAAP Measure Reconciliation

<i>(in thousands of euro)</i>	2017	2016
Profit for the period	4,403	5,156
Income tax expense	2,822	3,186
Finance costs	3,295	2,936
Finance Income	(151)	(130)
Profit/(loss) on equity consolidated companies	440	4
Amortization and depreciation <sup>(1)</sup>	18,286	15,528
<b>EBITDA<sup>(2)</sup></b>	<b>29,095</b>	<b>26,680</b>

(1) Amortization of intangible assets, property, plant and equipment and investment properties.

(2) Non-GAAP Measures

# Non-GAAP Measure Reconciliation

	NET DEBT	At June, 30 st 2017	At Dec, 31 st 2016
<b>(in thousands of Euro)</b>			
<b>A</b>	Cash and cash equivalents	(872)	(931)
<b>B</b>	Cash at bank	(54,972)	(44,236)
<b>C</b>	Securities held for trading	-	-
<b>D</b>	<b>Liquidity (A+B+C)</b>	<b>(55,844)</b>	<b>(45,167)</b>
<b>E</b>	<b>Current financial receivables</b>	<b>(3,189)</b>	<b>(3,495)</b>
<b>F</b>	Current loans	68,501	50,870
<b>G</b>	Current portion of non-current loans	18,470	24,952
<b>H</b>	Other current financial payables	1,112	1,608
<b>I</b>	<b>Current indebtedness (F+G+H)</b>	<b>88,083</b>	<b>77,430</b>
<b>J</b>	<b>Net current indebtedness (I+E+D)</b>	<b>29,050</b>	<b>28,768</b>
<b>K</b>	Non-current loans	214,970	189,393
<b>L</b>	Issued bonds	-	-
<b>M</b>	Other non-current financial payables	2,992	2,724
<b>N</b>	<b>Non-current indebtedness (K+L+M)</b>	<b>217,962</b>	<b>192,117</b>
<b>O</b>	<b>Net financial indebtedness (J+N)</b>	<b>247,012</b>	<b>220,885</b>

# Massimo Zanetti

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## Q&A Session



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Cafe Mag



Chock  
full o' Nuts

WAWA  
ORIGINAL WIENER KAFFEE



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