

Massimo Zanetti

MASSIMO ZANETTI
BEVERAGE GROUP



Presentation of 9M 2015 Results Massimo Zanetti Beverage Group

Villorba, 13rd of November, 2015



BONCAFÉ

restaurant
BONcafévino

BONCHOCO™

BONTEA
SIGNATURE COLLECTION



Cafe Mag



Chock
full o' Nuts



HILLS
BROS.
CAPPUCCINO

KAUAI
COFFEE

Kulta
Katriina

meira



Puccino's™



Reilu
SAINT

Saludo



2015 Highlights and Strategic Drivers



- IPO 1st trading day: 3rd of June, 2015

Capital increase
73 M EUR



- Intesa Sanpaolo Loan repayment

82.7 M USD



- Asset Deal CECA (Closing 1st of April, 2015)
 - ✓ +7M USD, +1200 tons ⁽¹⁾
 - ✓ Café Montana → 3rd player in Costa Rica

4.2 M USD



- Single Serve products growth in line with expectations by increasing performance in USA, France and Italy.

Revenues +45.0%
Volumes +35.2%



- Volume growth in Foodservice a channel driving higher margin.

Volumes
+12.9%



- Very positive growth in Asia
 - ✓ Opening of new subsidiary in Hong Kong
 - ✓ Opening of 2 Boncafe show room in Thailand
- Opening of multiple cafes in Asia particularly in China, Thailand, Japan.
- The roasting plant in Vietnam is producing and now delivering in more than 10 Asian countries in less than 1 year of business activities.

Revenues
+23%⁽²⁾

(2) Source: Data of Boncafe for 2014 are based on local management account from January to July.

Continuing Strategic Process



Single Serve

- Production and launch of the Boncafé/Segafredo capsules (Lavazza Blue compatible) took place 1st October 2015.
- Boncafé Thailand is the first producer of Single serve capsule in the country creating tremendous advantage on competitors to build up a strong market position
- This week (8th November 2015) Boncafé International launched their San Marco Capsules representing the first step developing our Nespresso compatible capsules in Asia.



M&A

- Massimo Zanetti Beverage USA has announced plans to acquire a 25.1 percent minority equity position in Club Coffee of Toronto, Canada, for \$25.1 million (CDN), positioning both companies to boost sales growth through market-leading innovations. This acquisition represents a strategic move of the Group to secure our partnership with Club Coffee that developed the first 100% compostable capsules (PürPod100™)



Efficiency

- The Group is implementing the first part of the efficiency program that will concentrate efforts in investing resources to improve the top-line driving a sales product mix change.
- The operations team will continue to roll out its efficiency programs similar to what has begun in Asia and US facilities. Results of these programs are expected to be seen in the results during second half 2016.

Organization structure

- The company is designing a new management organization structure that will be in place by 1Q 2016 to execute the strategic plan.

Management reporting system implementation

- The Group introduced successfully a new Management reporting system (Tagetik) and will develop new cross analysis tools which will give the management improved business insights.



1. 9M 2015 Results



Robust Q3 Financial Performance



Increased volumes



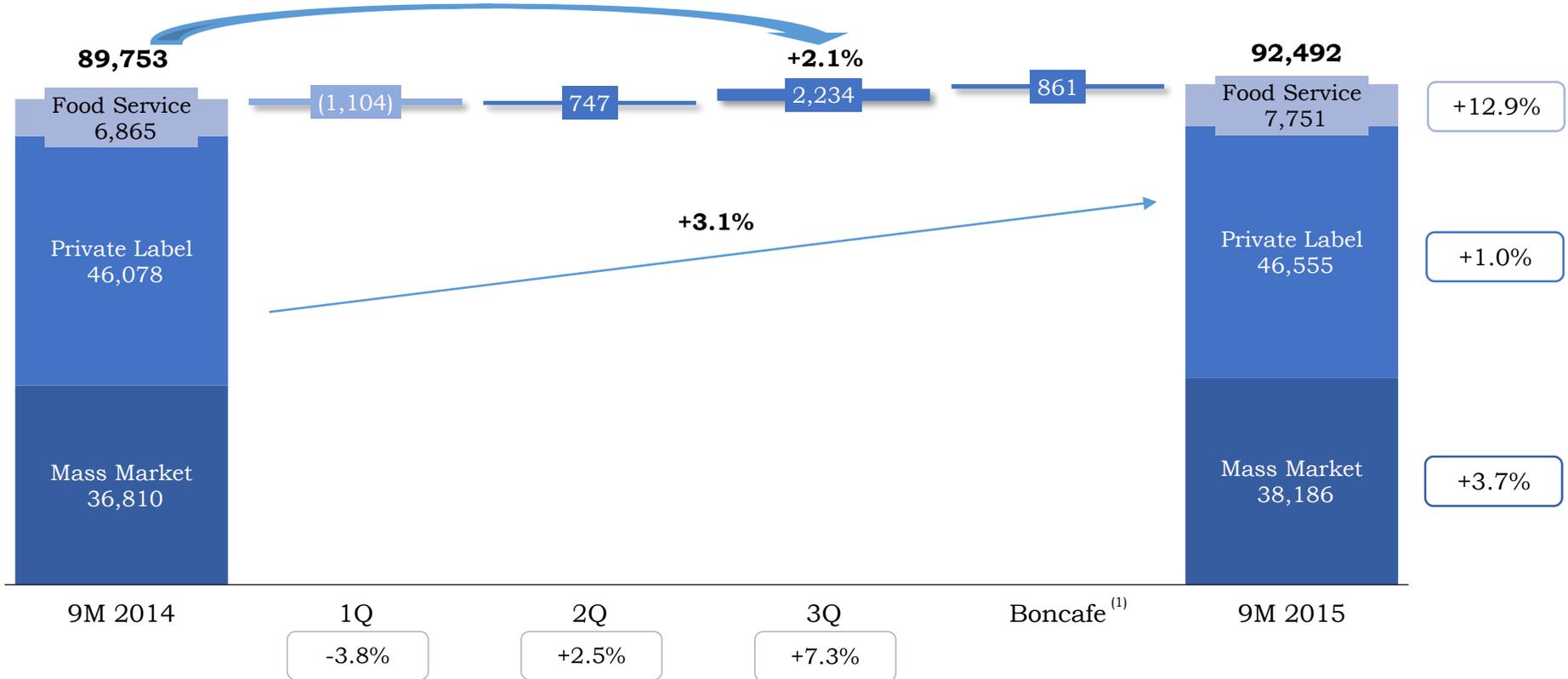
Increased profitability



FCF improvement

Volumes – 3rd Quarter Rebound

Volumes by distribution channel (Tons)

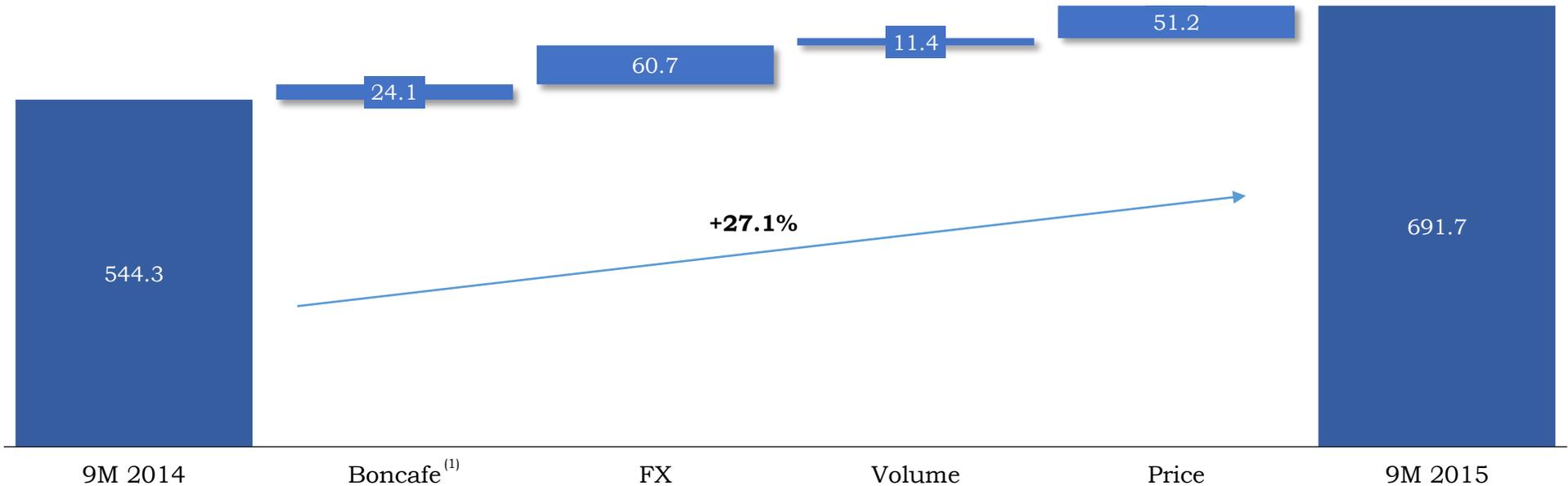


- Organic Growth +2.1%, Total Growth +3.1%
 - Food Service growth driven by Boncafe and plan organic growth
 - Mass Market growth driven by Finland, France and USA rebound

(1) 7 months

Revenues – 3rd Quarter Positive Trend

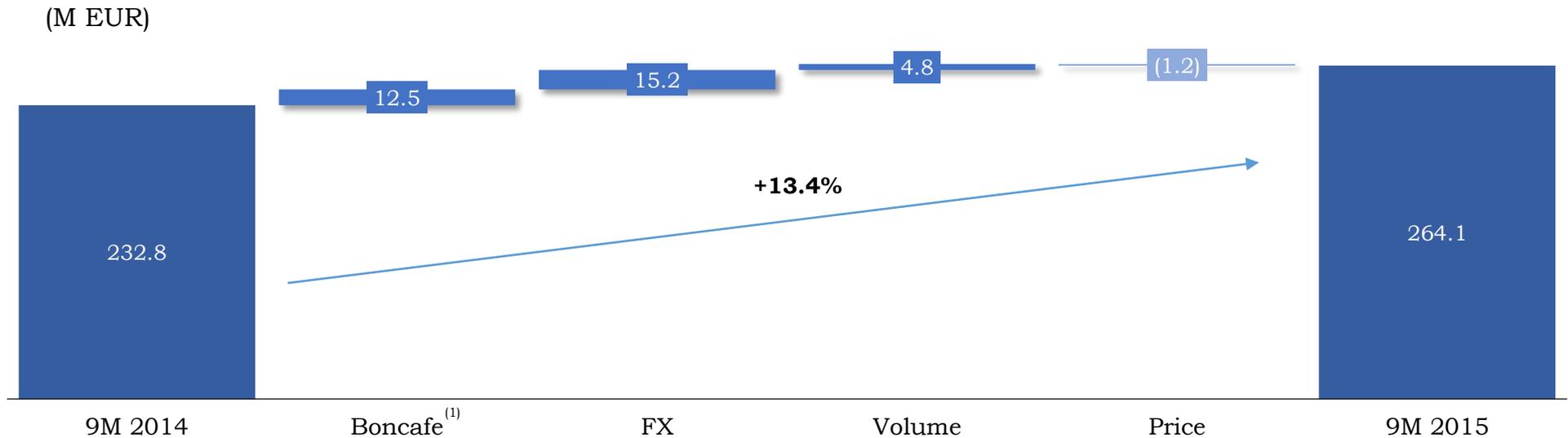
(M EUR)



- 9M Organic growth 62.6 M EUR
- Q3 growth 46.1 M EUR of which
 - ✓ Boncafe 3.5 M EUR
 - ✓ FX 19.2 M EUR
 - ✓ Volume 13.5 M EUR
 - ✓ Price 9.9 M EUR

(1) 7 months

Gross Profit - Recovering



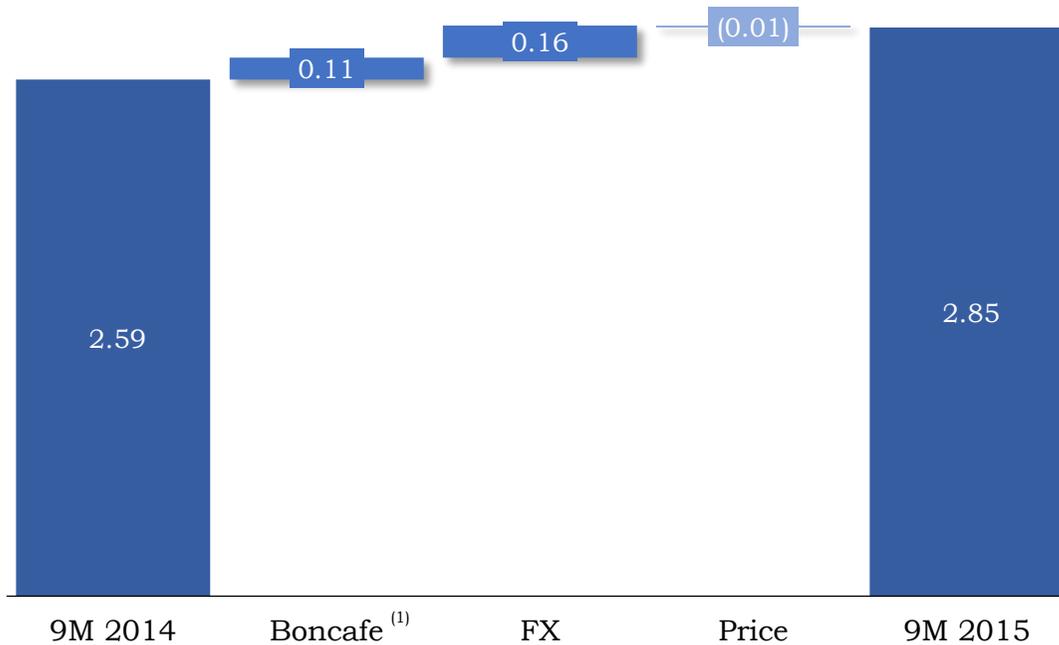
Organic Gross Profit changes by quarter (M EUR)	Q1	Q2	1H	Q3	YTD Q3
Volumes	(2.7)	1.8	(0.9)	5.7	4.8
Price	5.2	(6.7)	(1.5)	0.3	(1.2)
Total	2.5	(4.9)	(2.4)	6.0	3.6

- 9M Organic Gross Profit has increased by 3.6 M EUR.
- In Q3 Gross Profit has increased by 6.0 M EUR, mainly due to volume growth.
- By geographic area the Q3 Gross Profit increase is mainly due to the USA (2.8 M EUR) France (1.4 M EUR) and Finland (1.0 M EUR)

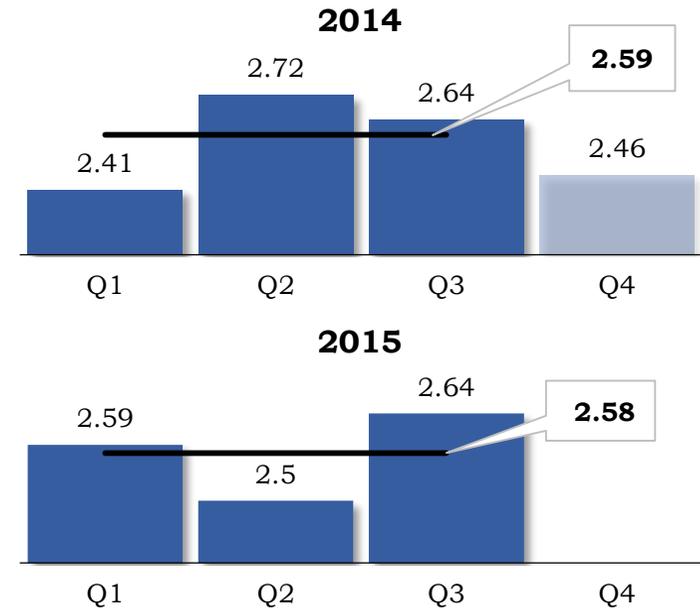
(1) 7 months

Gross Profit per Kg – Positive Outlook

Gross Profit per Kg (EUR/kg)



Organic Gross Profit per Kg (EUR/kg)

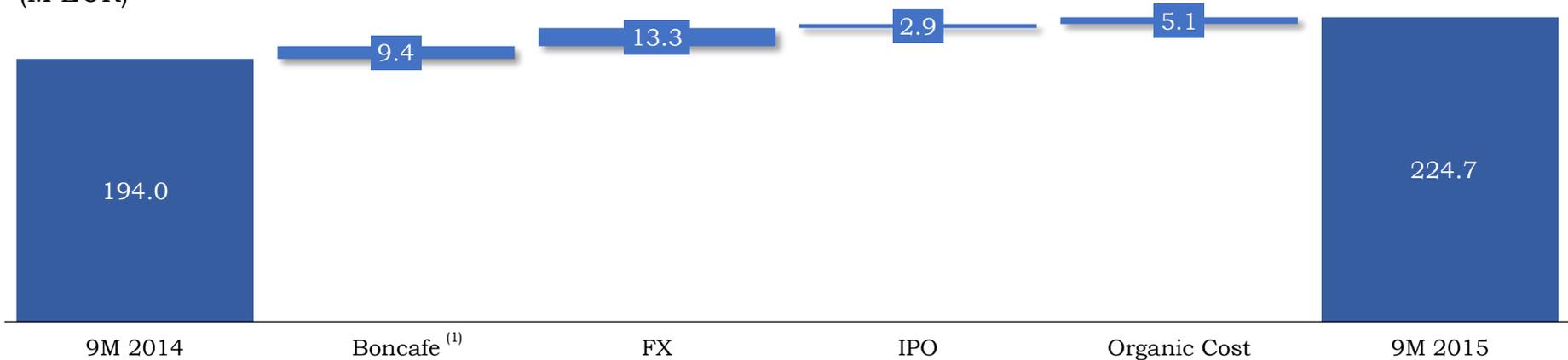


- Organic Gross Profit per Kg, net of perimeter and FX effects, in the first 9 months remained essentially unchanged when compared with same period last year (2.58 EUR/kg Vs 2.59 EUR/kg)
- Data for the quarter show the opposite trend (in 2014 the Gross Profit per kg increases in Q2 and decreases in Q3, in 2015 it decreases in Q2 and increases in Q3), which confirms the non-linear course of margins in our business
- Q3 confirms the Gross Profit per Kg recovery regarding Q2, returning the Gross Profit per Kg to the same level as of 3Q 2014.

(1) 7 months

OPEX – Increase Linked to Strategic Development

(M EUR)



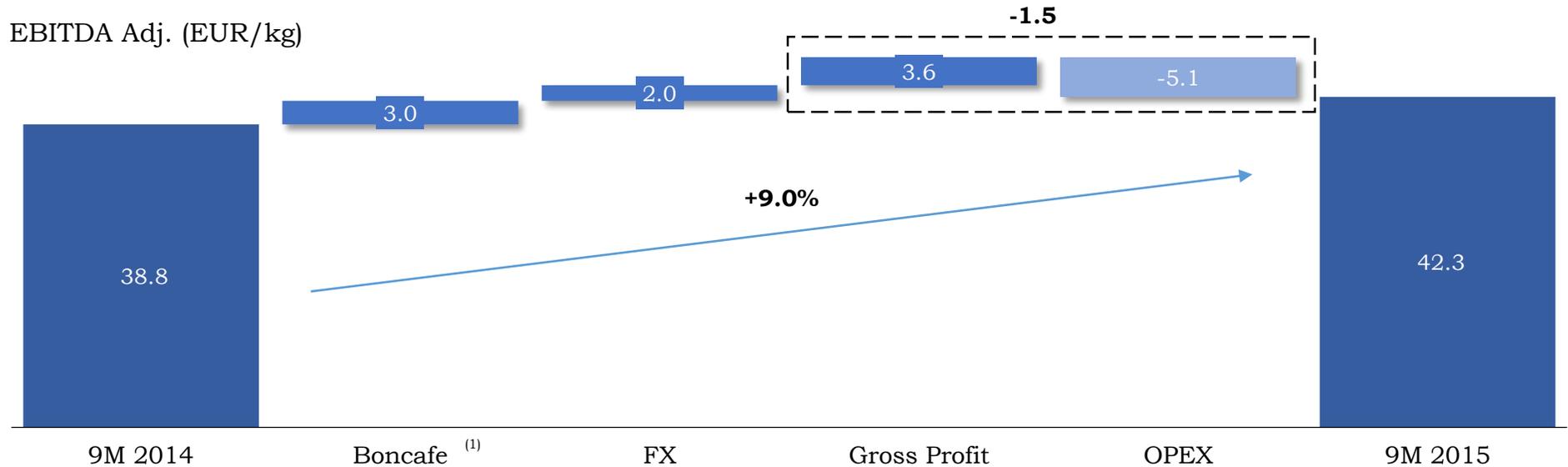
Organic OPEX changes (M EUR)	1H	3Q	YTD
Services	1.9	3.1	5.0
Personnel	1.1	1.3	2.4
Other	(1.4)	(0.9)	(2.3)
Total	1.6	3.5	5.1

OPEX/G.P. (%)	2014	2015
1H	84.6%	86.9%
3Q	81.0%	79.5%
Total	83.3%	84.2%

- In Q3 the increase of services is mostly related to the development of local and global brand awareness activity, particularly in France and USA (single serve).
- In Q3 the increase of personnel is mainly related to the expansion and growth of Boncafe and additional activities of Ceca in Costa Rica and single serve development in USA.
- In terms of efficiency the OPEX/Gross Profit (79.5%) improved significantly compared to 1H (86.9%) and 3Q 2014 (81.0%).

(1) 7 months

EBITDA Adj. - Recovering



EBITDA Adj. (M EUR)	1Q	2Q	3Q	9M	Organic EBITDA Adj. (M EUR)	1Q	2Q	3Q	9M
2014	9.1	14.5	15.2	38.8	2014	9.1	14.5	15.2	38.8
2015	12.3	11.2	18.8	42.3	2015	9.7	9.9	17.7	37.3

- 9M EBITDA Adj. was 42.3 M EUR, +3.5 M EUR compared to last year.
- 9M 2015 organic EBITDA amounts to 37.3 M EUR of which 19.6 M EUR in 1H and 17.7 M EUR in Q3.
- Q3 2015 versus Q3 2014 Organic Ebitda Adj. has improved by 2.5 M EUR (+16%) increasing from 15.2 M EUR to 17.7 M EUR. This improvement is due to an increase of the Gross Margin by 6.0 M EUR partially off-set by an OPEX rise of 3.5 M EUR.

(1) 7 months

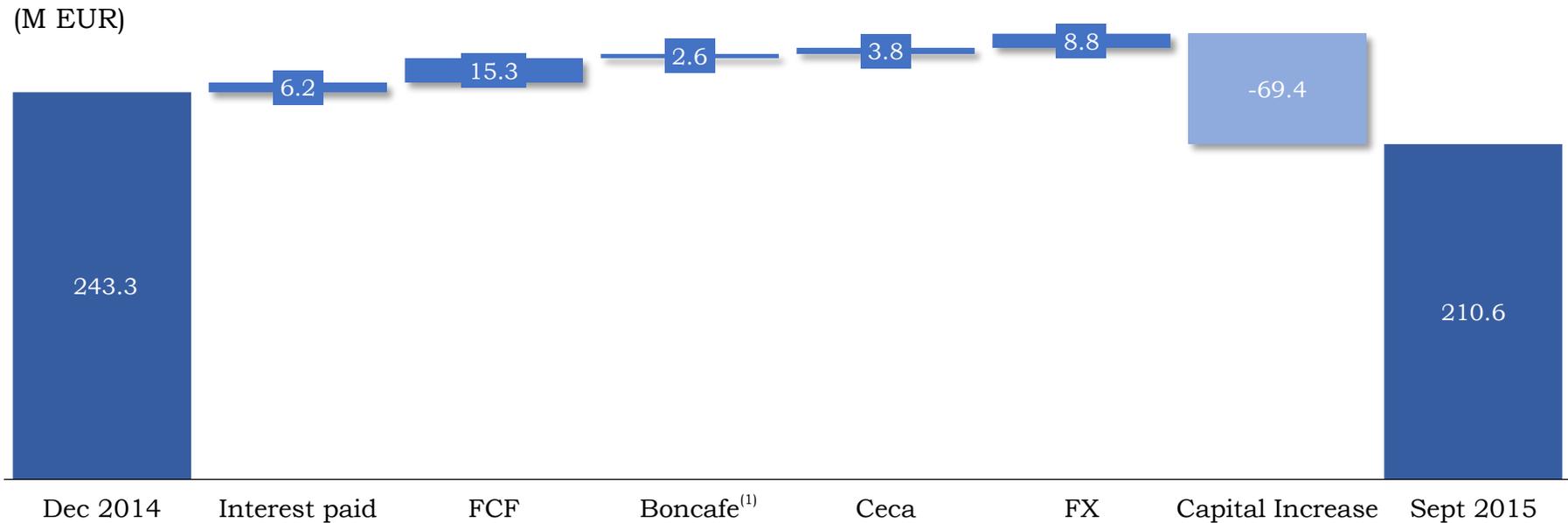
Free Cash Flow Improvement

(M EUR)	9M 2014	1H 2015	9M 2015
EBITDA Adj.	38.8	23.5	42.3
Change in NWC	(20.8)	(31.6)	(32.3)
Capex	(18.3)	(14.7)	(19.7)
Tax paid	(4.5)	(4.9)	(5.5)
Others	4.1	(1.0)	(0.1)
FCF	(0.7)	(28.7)	(15.3)

(M EUR)	9M 2014	1H 2015	9M 2015
Change In Inventory	(18.5)	(13.0)	(7.1)
Change In Trade Receivables	(21.0)	2.9	(10.2)
Change In Trade Payables	6.5	(3.1)	1.0
Change In Other Assets/Liabilities	12.2	(18.4)	(16.0)
Change in NWC	(20.8)	(31.6)	(32.3)

- The 9M 2015 change in NWC amounts to -32.3 M EUR and is almost stable when compared with 1H 2015 (-31.6 M EUR): the excess cash from stock and payments decrease is compensated by an increase of receivables
- The NWC/Sales ratio had in 2015 the following positive trend:
 - December, 31 2014 18.2%
 - March 31, 2015 21.3%
 - June 30, 2015 20.2%
 - September, 30 2015 18.8%

Net Debt Evolution



Debt Profile	Dec 2014	Sept 2015
Fixed interest rate ⁽²⁾	32%	46%
Variable interest rate	68%	54%
Euro	45%	70%
USD	55%	30%

- The Net Debt as at 30 September 2015 improved by 10.4 M EUR compared to 30 June 2015 due to the FCF improvement.

(1) 7 months

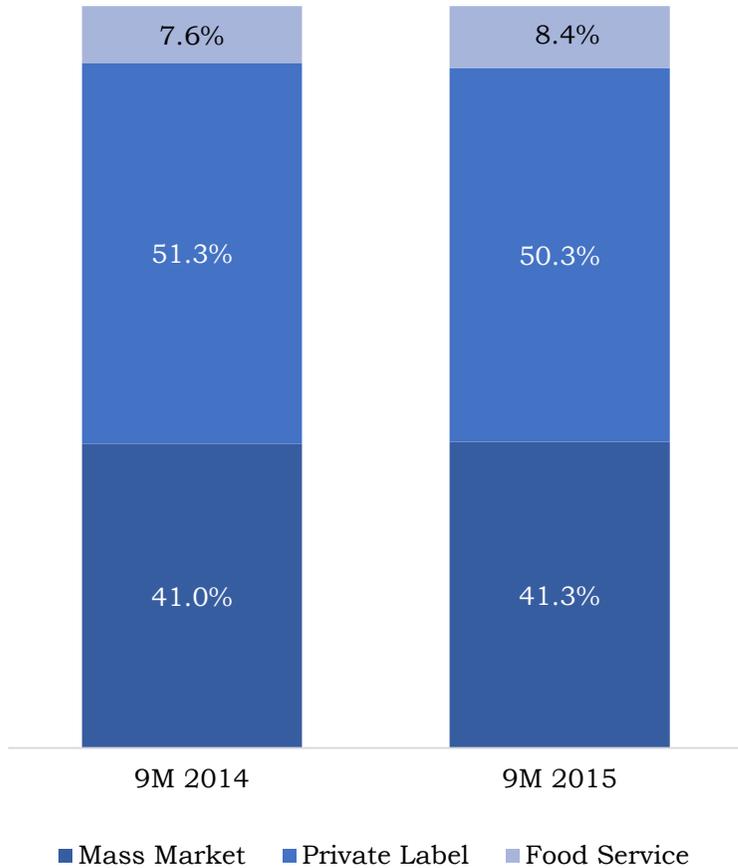
(2) After considering the effect of interest rate swap



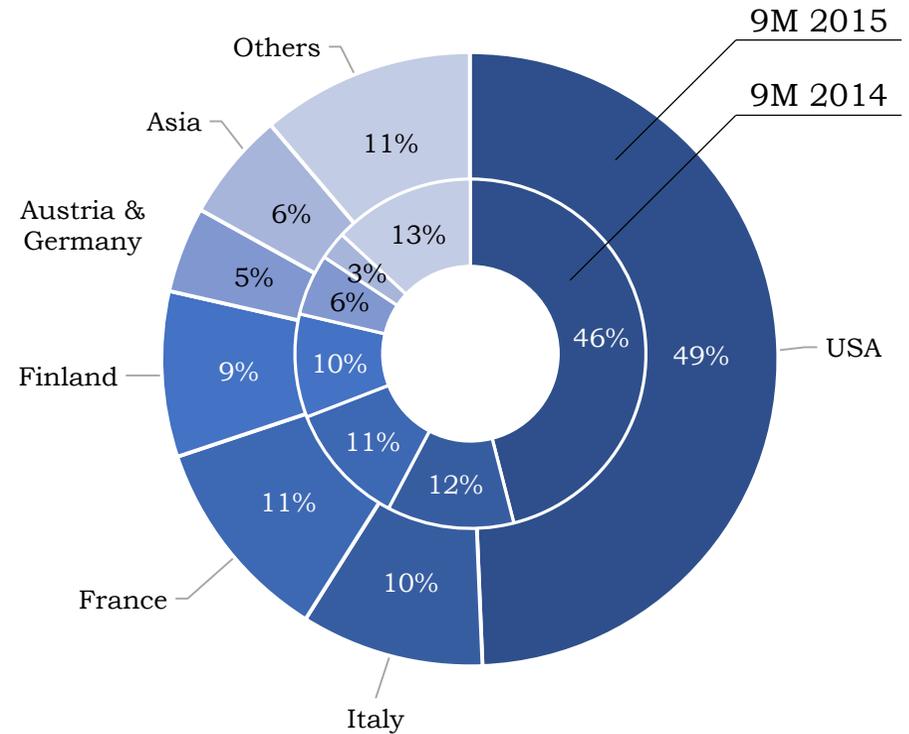
2. Appendix

Volumes and Revenue breakdown

Volumes breakdown (%)

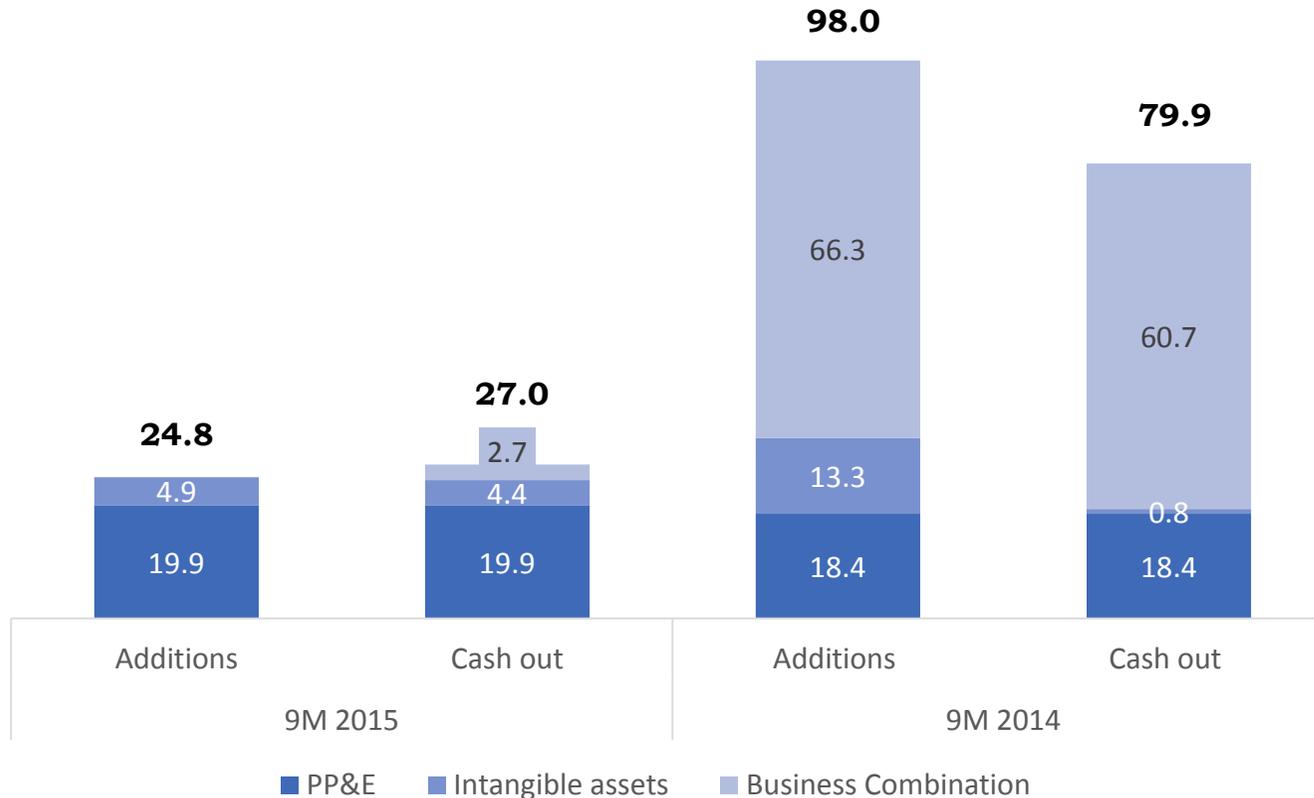


Revenues breakdown by geography (%)



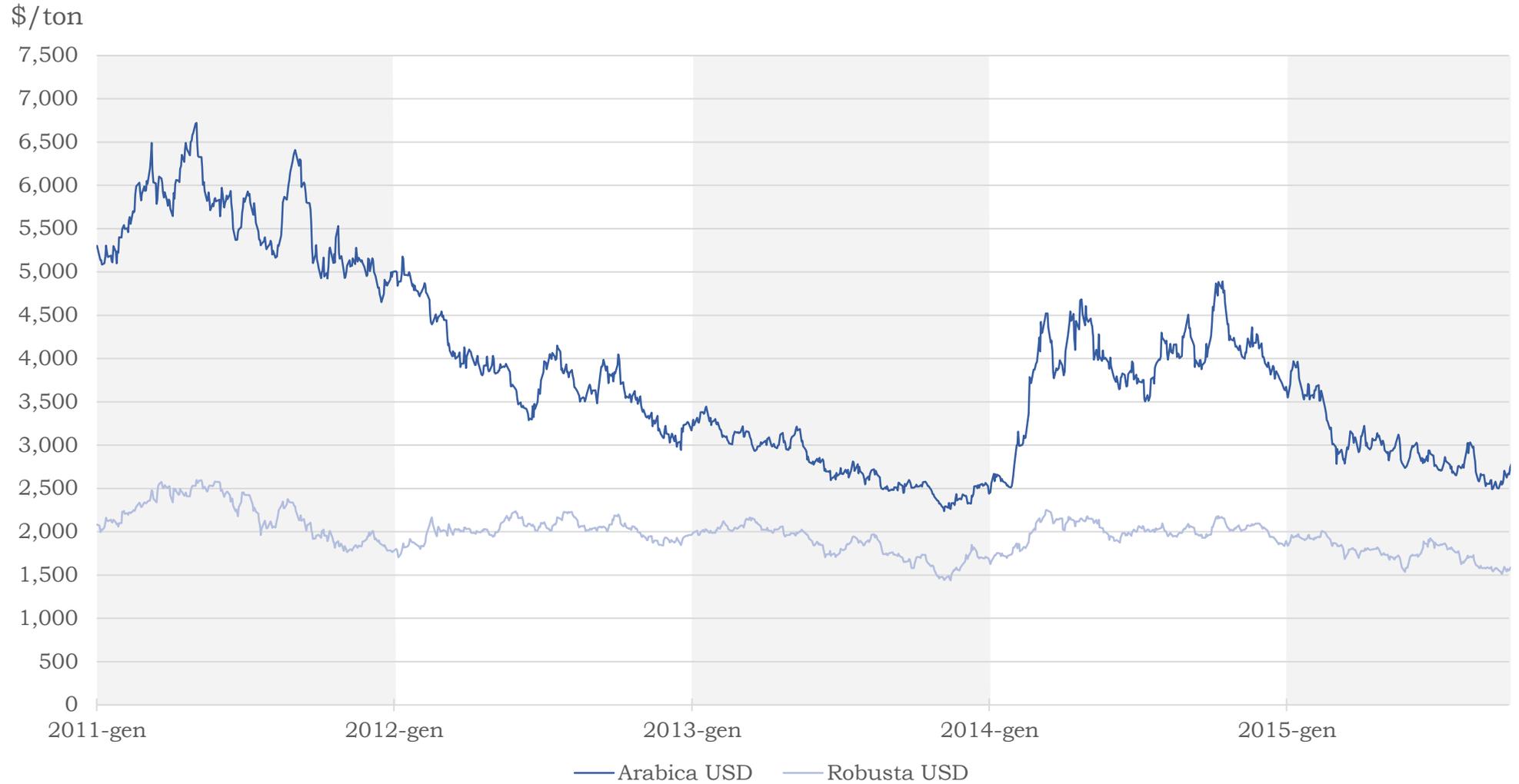
Capex profile

(M EUR)



- **Business combination** refers to the price adjustment of Boncafe acquisition paid in 9M 2015 and to Boncafe and Segafredo Zanetti New Zealand acquisition in 9M 2014.
- **Intangible assets** include 3.5 M USD relating to CECA trademarks in 9M 2015 and 12.6 M EUR relating to Puccino's and Segafredo Zanetti Espresso trademarks in 9M 2014.
- **PP&E** investments net of Capex made by Boncafe during the 7M ended 31 July 2015 (1.3 M Euros), CECA equipment (0.7 M USD) and FX (0.7 M EUR) are lower than investments made in 9M 2014 by 1.1 M Euro.

Green Coffee Price 2011 -2015



Interim Consolidated Income Statement

(in thousands of Euro)	Nine months ended Sept. 30	
	2015	2014
Revenue	691,774	544,355
Other income	4,333	3,268
Purchases of goods	(427,704)	(311,564)
Purchases of services, leases and rentals	(125,491)	(109,144)
Personnel costs	(93,296)	(79,576)
Other operating costs	(7,521)	(4,739)
Amortization, depreciation and impairment	(26,170)	(23,121)
Operating profit	15,925	19,479
Finance income	124	261
Finance costs	(7,866)	(7,454)
Profit before tax	8,183	12,286
Income tax expense	(2,946)	(5,603)
Profit for the period from continuing operations	5,237	6,683
Loss for the period from discontinued operations	-	(1,698)
Profit for the period	5,237	4,985
Profit attributable to:		
<i>Non-controlling interests</i>	115	106
<i>Owners of the parent</i>	5,122	4,879
Earnings per share basic / diluted (in euro)	0.17	0.17
<i>From continuing operations</i>	0.17	0.23
<i>From discontinued operations</i>	-	(0.06)

Interim Consolidated Statement of Financial Position

(in thousands of Euro)	As at Sept. 30 2015	As at December 31 2014*
Intangible assets	115,217	112,607
Property, plant and equipment	207,142	203,226
Investment properties	4,448	4,525
Investments in joint venture	127	128
Non-current trade receivables	14,144	15,079
Deferred tax assets	16,239	10,311
Other non-current assets	5,862	5,521
Total non-current assets	363,179	351,397
Inventories	139,025	139,302
Trade receivables	130,584	119,903
Income tax assets	2,948	510
Other current assets	13,524	19,042
Cash and cash equivalents	28,126	18,302
Total current assets	314,207	297,059
Total assets	677,386	648,456
Share capital	34,300	28,000
Other reserves	129,261	64,481
Retained earnings	117,185	113,794
Equity attributable to owners of the parent	280,746	206,275
Non-controlling interests	1,775	1,759
Total equity	282,521	208,034
Non-current borrowings	98,769	145,731
Employee benefits	9,474	9,743
Other non-current provisions	2,421	2,291
Deferred tax liabilities	26,891	26,228
Other non-current liabilities	5,579	4,178
Total non-current liabilities	143,134	188,171
Current borrowings	140,244	116,504
Trade payables	83,644	92,576
Income tax liabilities	2,541	2,084
Other current liabilities	25,302	41,087
Total current liabilities	251,731	252,251
Total liabilities	394,865	440,422
Total equity and liabilities	677,386	648,456

(*) Figures retrospectively adjusted to update provisional fair value amounts originally recorded for the acquisition of the Boncafe group of entities

Interim Consolidated Statement of Cash Flows

(in thousands of Euro)	Nine months ended Sept. 30	
	2015	2014
Profit before tax	8,183	12,286
Adjustments for:		
Depreciation, amortization and impairment	26,170	23,121
Provisions for employee benefits and other charges	553	589
Finance expense	7,742	7,193
Other non-monetary items	(493)	(284)
Net cash generated from operating activities before changes in working capital	42,155	42,905
Increase in inventory	(7,084)	(18,507)
Increase in trade receivables	(10,274)	(20,992)
Increase in trade payables	963	6,486
Decrease/(Increase) in other assets/liabilities	(15,454)	12,376
Payments of employee benefits	(445)	(186)
Interest paid	(6,225)	(5,452)
Income tax paid	(5,554)	(4,489)
Net cash generated from/(used in) operating activities	(1,918)	12,141
Acquisition of subsidiary, net of cash acquired	(2,640)	(60,731)
Purchase of property, plant and equipment	(19,945)	(18,432)
Purchase of intangible assets	(4,856)	(773)
Proceeds from sale of property, plant and equipment	259	776
Proceeds from sale of intangible assets	615	125
Increase in financial receivables	(503)	(920)
Interest received	162	176
Net cash used in investing activities	(26,908)	(79,779)
Proceeds from borrowings	35,856	71,541
Repayment of borrowings	(86,715)	(8,649)
Increase in short-term loans	19,897	7,587
Proceeds from sale of shares	69,423	-
Dividends paid to non-controlling interests	(102)	(220)
Net cash generated from financing activities	38,359	70,259
Exchange gains/(losses) on cash and cash equivalents	(159)	835
Net increase in cash and cash equivalents	9,824	3,456
Net cash used in operating activities of discontinued operations	-	(13,712)
Net cash used in investing activities of discontinued operations	-	(178)
Net cash generated from financing activities of discontinued operations	-	17,191
Net cash generated from discontinued operations	-	3,301
Total net increase in cash and cash equivalents	9,824	6,757
Cash and cash equivalents at the beginning of the period	18,302	19,856
Cash and cash equivalents at the end of the period	28,126	26,613

Non-GAAP Measure Reconciliation

M EUR	9M 2015	9M 2014
Gross Profit	264.1	232.8
Services	(125.5)	(109.1)
Personnel	(93.3)	(79.6)
Other net costs	(5.9)	(5.3)
Total net operating costs	(224.7)	(194.0)
EBITDA	39.4	38.8
IPO costs	2.9	-
EBITDA Adjusted	42.3	38.8