

# Massimo Zanetti

MASSIMO ZANETTI  
BEVERAGE GROUP



## Presentation of 9M 2015 Results Massimo Zanetti Beverage Group

Villorba, 13<sup>rd</sup> of November, 2015



BONCAFÉ

restaurant  
BONcafévino

BONCHOCO™

BONTEA  
SIGNATURE COLLECTION



Café Mag



Chock  
full o' Nuts



HILLS  
BROS.  
CAPPUCCINO

KAUAI  
COFFEE

Kulta  
Katriina

meira



Puccino's™

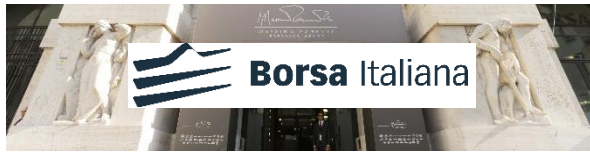


Reilu  
HARDY

Saludo



# 2015 Highlights and Strategic Drivers



**Borsa Italiana**

- IPO 1<sup>st</sup> trading day: 3<sup>rd</sup> of June, 2015

**Capital increase  
73 M EUR**



- Intesa Sanpaolo Loan repayment

**82.7 M USD**



- Asset Deal CECA (Closing 1<sup>st</sup> of April, 2015)
  - ✓ +7M USD, +1200 tons <sup>(1)</sup>
  - ✓ Café Montana → 3<sup>rd</sup> 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%<sup>(2)</sup>**

(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 1<sup>st</sup> 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 (8<sup>th</sup> 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 (PörPod100™)



## 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



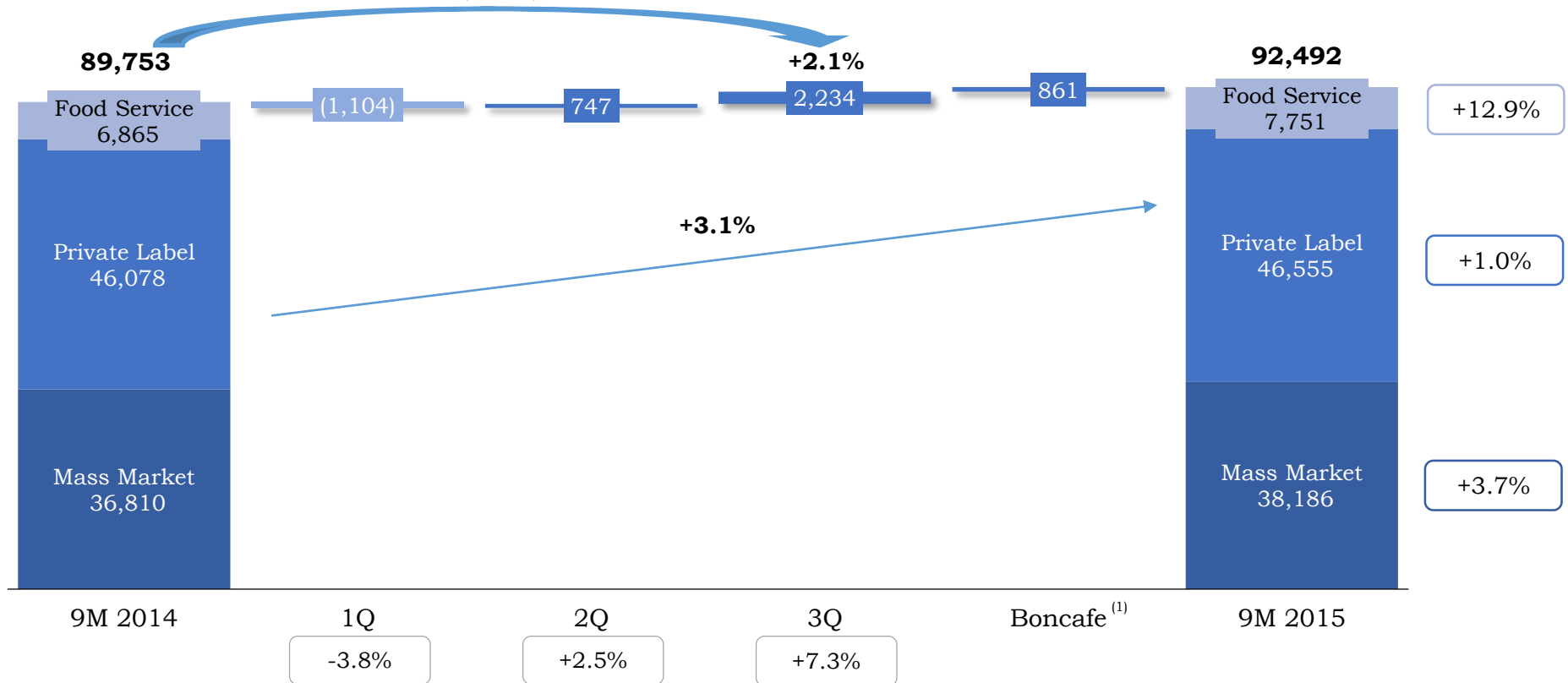
Increased profitability



FCF improvement

# Volumes – 3<sup>rd</sup> Quarter Rebound

Volumes by distribution channel (Tons)

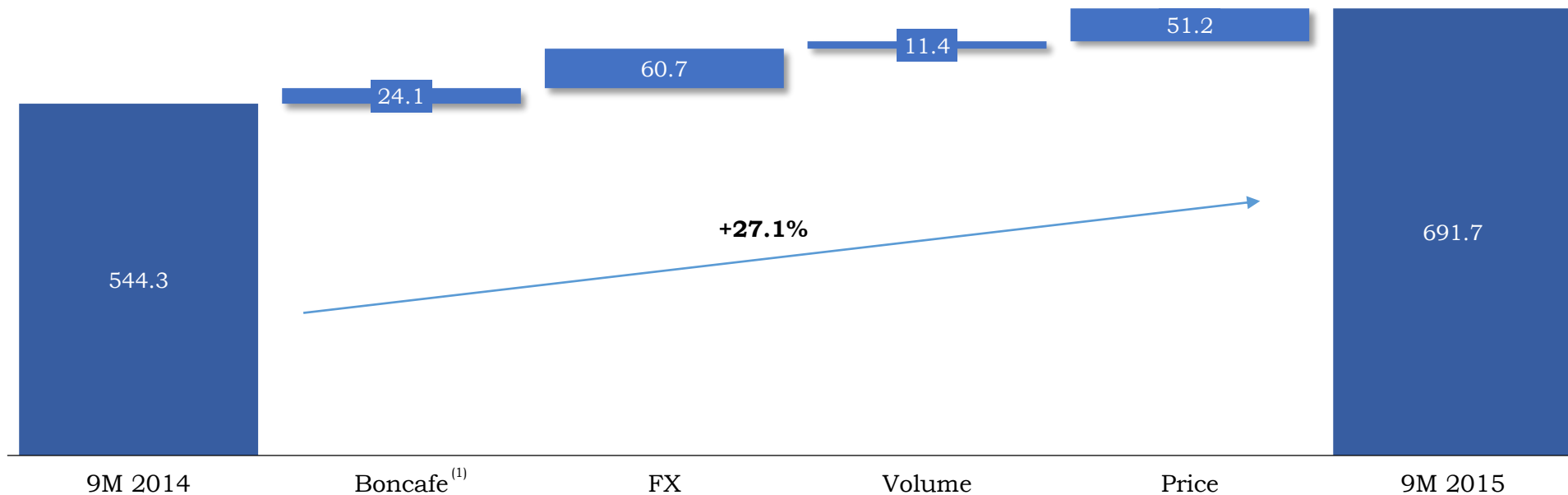


- Organic Growth +2.1%, Total Growth +3.1%
  - Food Service growth driven by Boncafe and plan organic growth
  - Mass Market growth driven by Finland, France and USA rebound

(1) 7 months

# Revenues – 3<sup>rd</sup> Quarter Positive Trend

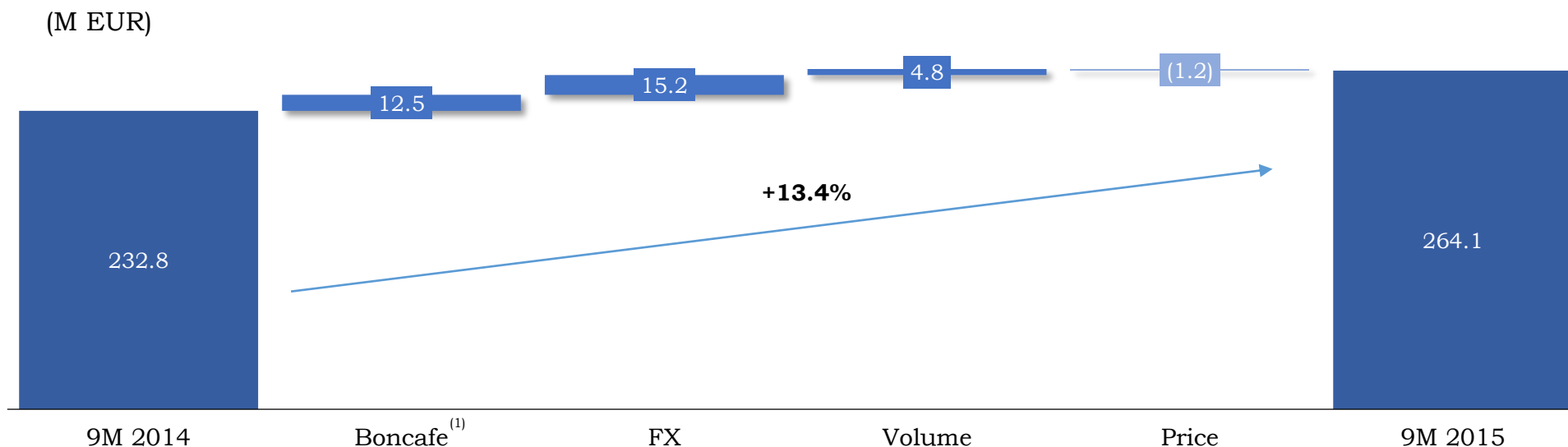
(M EUR)



- 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)
<b>Total</b>	<b>2.5</b>	<b>(4.9)</b>	<b>(2.4)</b>	<b>6.0</b>	<b>3.6</b>

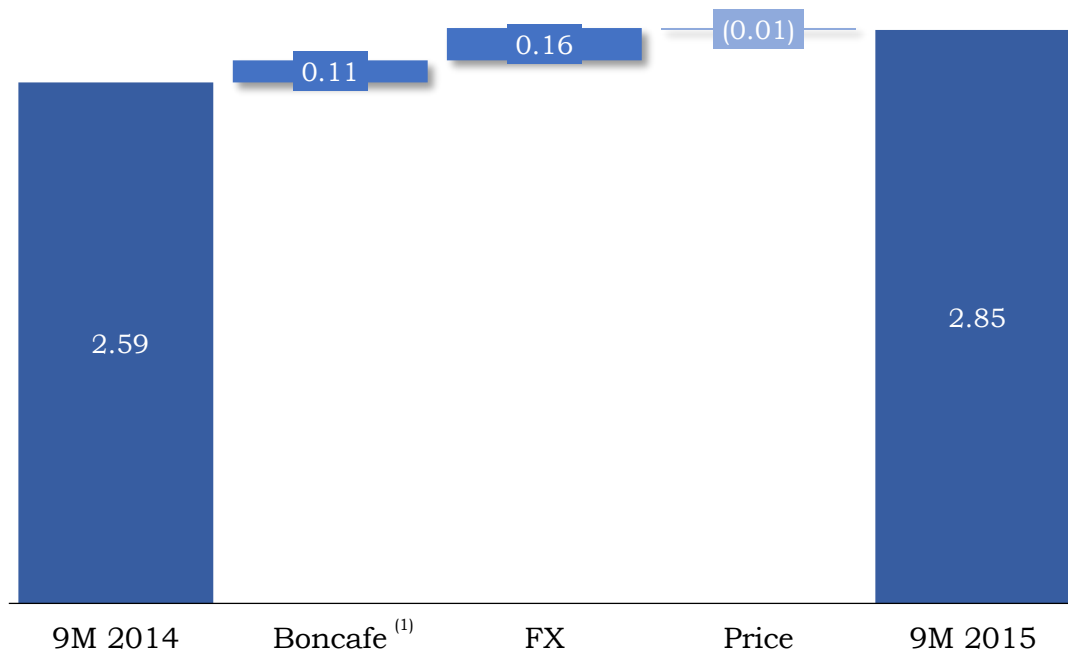
- 9M Organic Gross Profit has increased by 3.6 M EUR.
- In Q3 Gross Profit has increased by 6.0 M EUR, mainly due to volume growth.
- By geographic area the Q3 Gross Profit increase is mainly due to the USA (2.8 M EUR) France (1.4 M EUR) and Finland (1.0 M EUR)

(1) 7 months

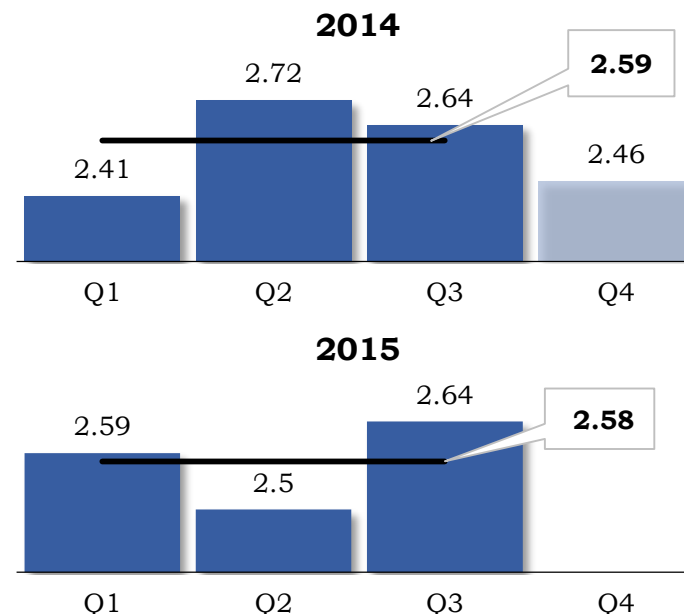


# Gross Profit per Kg – Positive Outlook

Gross Profit per Kg (EUR/kg)



Organic Gross Profit per Kg (EUR/kg)

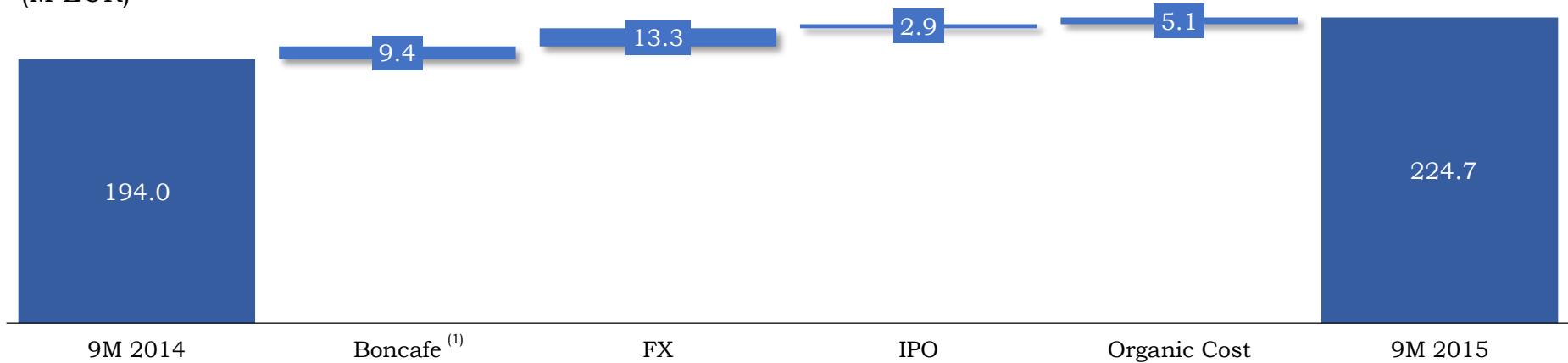


- Organic Gross Profit per Kg, net of perimeter and FX effects, in the first 9 months remained essentially unchanged when compared with same period last year (2.58 EUR/kg Vs 2.59 EUR/kg)
- Data for the quarter show the opposite trend (in 2014 the Gross Profit per kg increases in Q2 and decreases in Q3, 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)



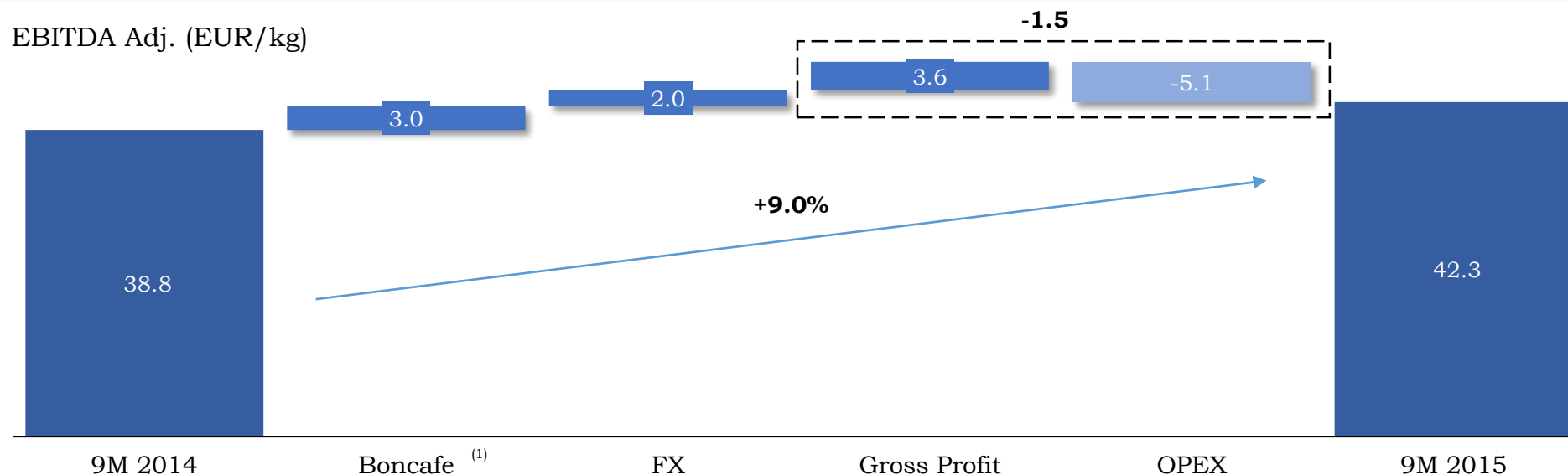
Organic OPEX changes (M EUR)	1H	3Q	YTD
Services	1.9	3.1	5.0
Personnel	1.1	1.3	2.4
Other	(1.4)	(0.9)	(2.3)
<b>Total</b>	<b>1.6</b>	<b>3.5</b>	<b>5.1</b>

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

- 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	<b>38.8</b>	2014	9.1	14.5	15.2	<b>38.8</b>
2015	12.3	11.2	18.8	<b>42.3</b>	2015	9.7	9.9	17.7	<b>37.3</b>

- 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

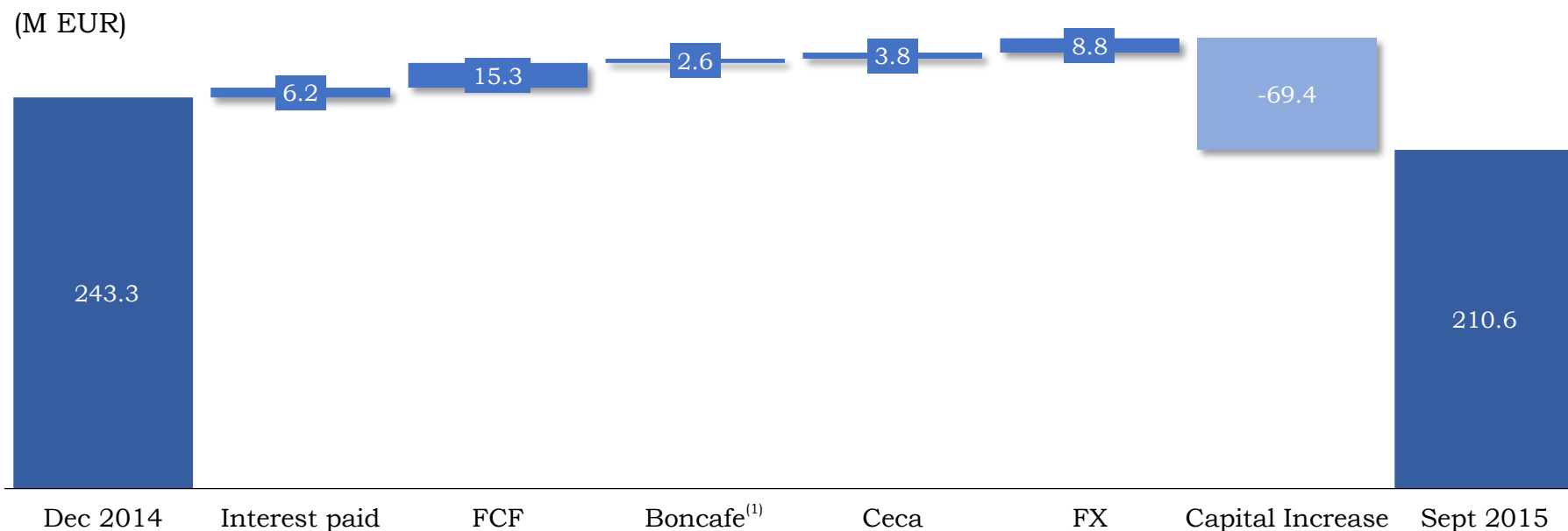
# Free Cash Flow Improvement

(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)
<b>FCF</b>	<b>(0.7)</b>	<b>(28.7)</b>	<b>(15.3)</b>

(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)
<b>Change in NWC</b>	<b>(20.8)</b>	<b>(31.6)</b>	<b>(32.3)</b>

- 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 <sup>(2)</sup>	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

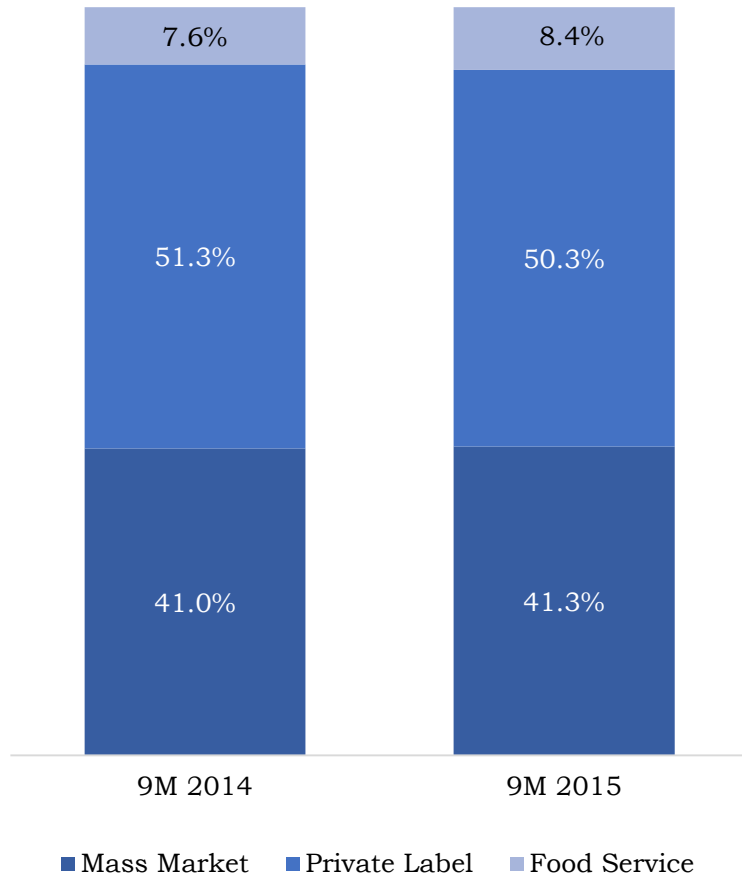




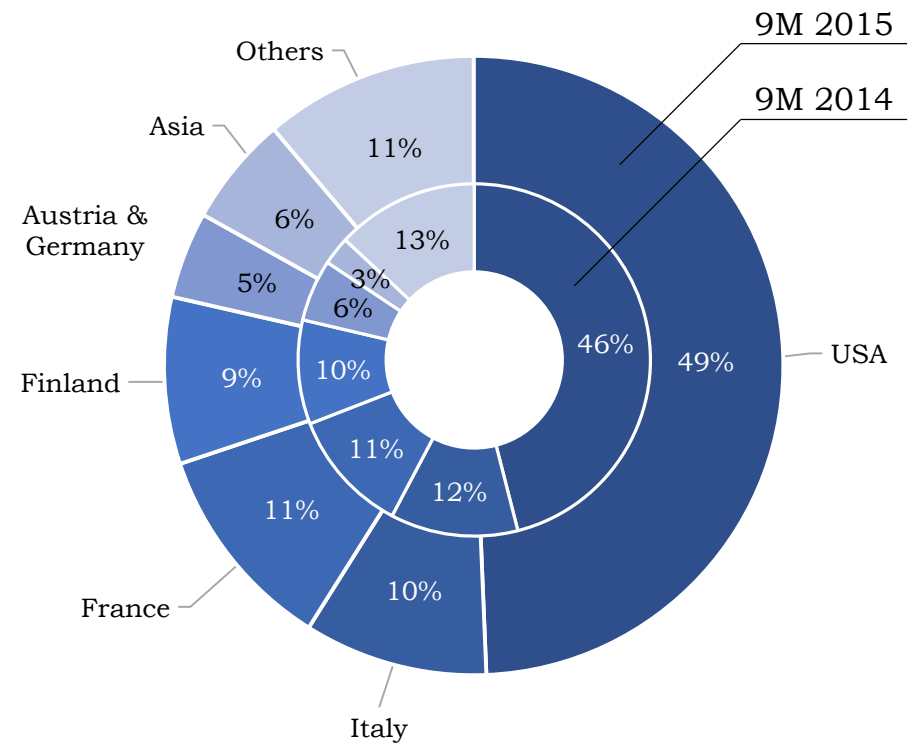
## 2. Appendix

# Volumes and Revenue breakdown

Volumes breakdown (%)

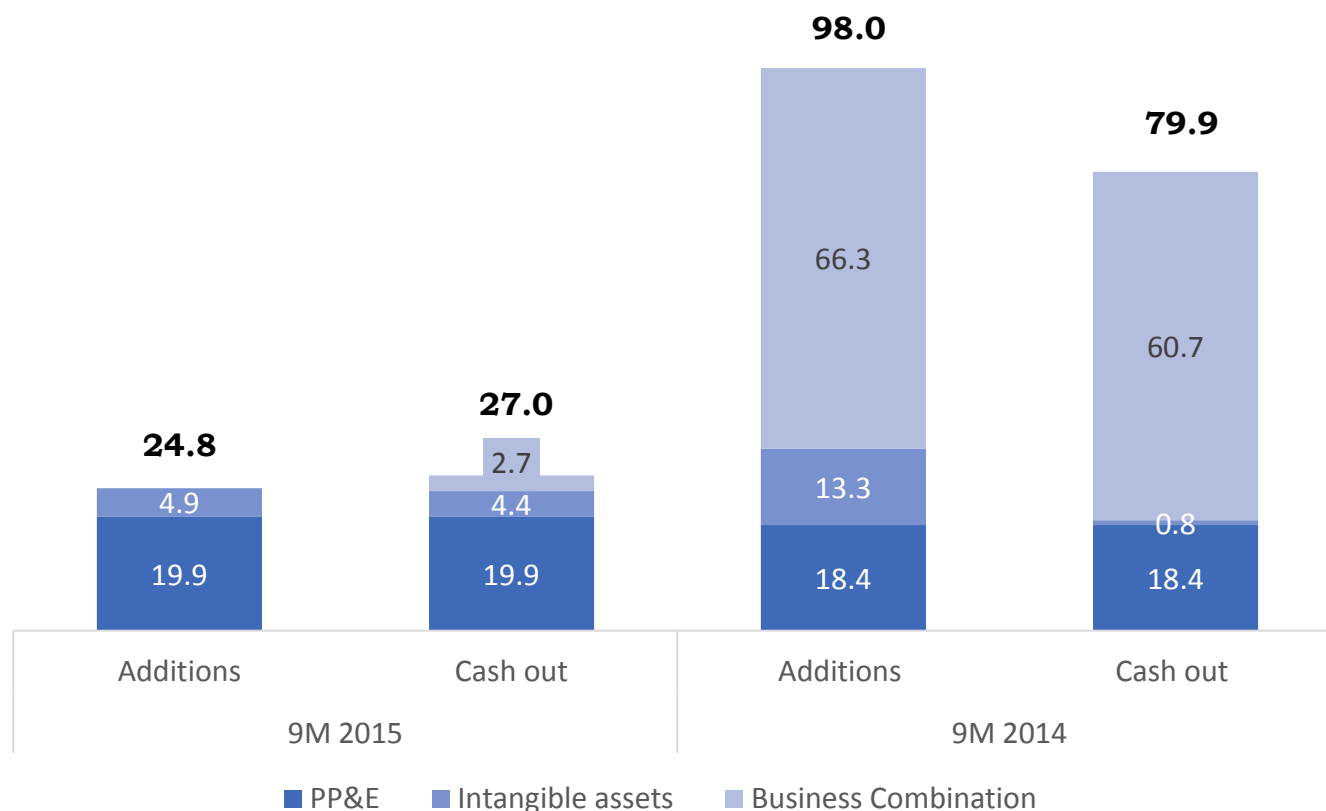


Revenues breakdown by geography (%)



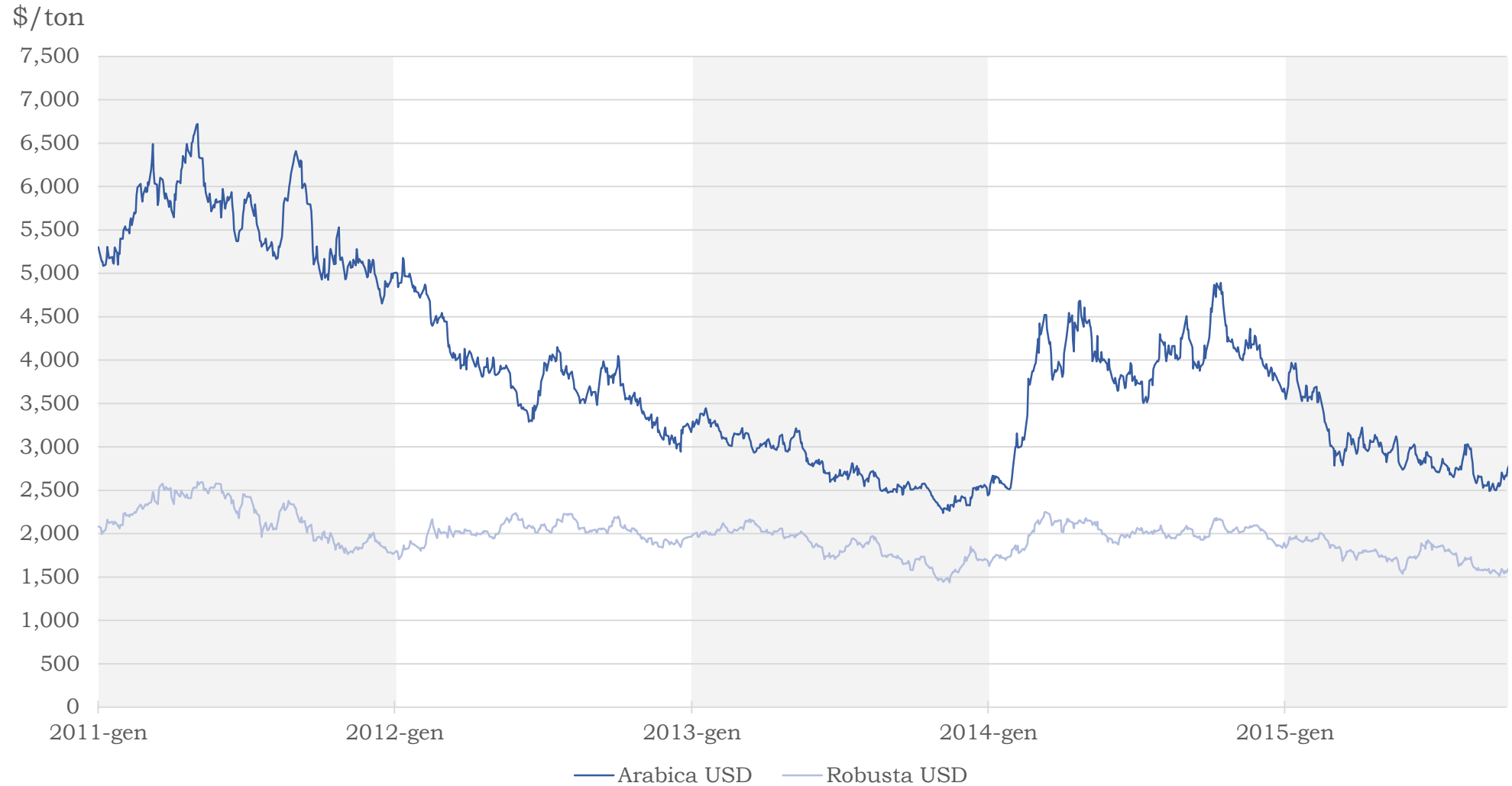
# Capex profile

(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)
<b>Operating profit</b>	<b>15,925</b>	<b>19,479</b>
Finance income	124	261
Finance costs	(7,866)	(7,454)
<b>Profit before tax</b>	<b>8,183</b>	<b>12,286</b>
Income tax expense	(2,946)	(5,603)
<b>Profit for the period from continuing operations</b>	<b>5,237</b>	<b>6,683</b>
Loss for the period from discontinued operations	-	(1,698)
<b>Profit for the period</b>	<b>5,237</b>	<b>4,985</b>
Profit attributable to:		
<i>Non-controlling interests</i>	115	106
<i>Owners of the parent</i>	5,122	4,879
<b>Earnings per share basic / diluted (in euro)</b>	<b>0.17</b>	<b>0.17</b>
<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
<b>Total non-current assets</b>	<b>363,179</b>	<b>351,397</b>
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
<b>Total current assets</b>	<b>314,207</b>	<b>297,059</b>
<b>Total assets</b>	<b>677,386</b>	<b>648,456</b>
Share capital	34,300	28,000
Other reserves	129,261	64,481
Retained earnings	117,185	113,794
<b>Equity attributable to owners of the parent</b>	<b>280,746</b>	<b>206,275</b>
Non-controlling interests	1,775	1,759
<b>Total equity</b>	<b>282,521</b>	<b>208,034</b>
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
<b>Total non-current liabilities</b>	<b>143,134</b>	<b>188,171</b>
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
<b>Total current liabilities</b>	<b>251,731</b>	<b>252,251</b>
<b>Total liabilities</b>	<b>394,865</b>	<b>440,422</b>
<b>Total equity and liabilities</b>	<b>677,386</b>	<b>648,456</b>

(\*) 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
<b>Profit before tax</b>	<b>8,183</b>	<b>12,286</b>
<b>Adjustements for:</b>		
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)
<b>Net cash generated from operating activities before changes in working capital</b>	<b>42,155</b>	<b>42,905</b>
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)
<b>Net cash generated from/(used in) operating activities</b>	<b>(1,918)</b>	<b>12,141</b>
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
<b>Net cash used in investing activities</b>	<b>(26,908)</b>	<b>(79,779)</b>
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)
<b>Net cash generated from financing activities</b>	<b>38,359</b>	<b>70,259</b>
Exchange gains/(losses) on cash and cash equivalents	(159)	835
<b>Net increase in cash and cash equivalents</b>	<b>9,824</b>	<b>3,456</b>
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
<b>Net cash generated from discontinued operations</b>	<b>-</b>	<b>3,301</b>
<b>Total net increase in cash and cash equivalents</b>	<b>9,824</b>	<b>6,757</b>
Cash and cash equivalents at the beginning of the period	18,302	19,856
<b>Cash and cash equivalents at the end of the period</b>	<b>28,126</b>	<b>26,613</b>

# Non-GAAP Measure Reconciliation

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