



MASSIMO ZANETTI
BEVERAGE GROUP



Q1 2017 Results Massimo Zanetti Beverage Group

Villorba, 11th of May, 2017



BONCAFÉ

restaurant
BONCAFÉ VINO

BONCHOCO™

BONTEA
SIGNATURE COLLECTION



Café Mag



Chock
full o' Nuts



HILLS
BROS.
CAPPUCCINO

KAUAI
COFFEE

Kultä
Katriina

meira



Puccino's™



Reilu
KAHVI

Saludo



Safe Harbour Statement

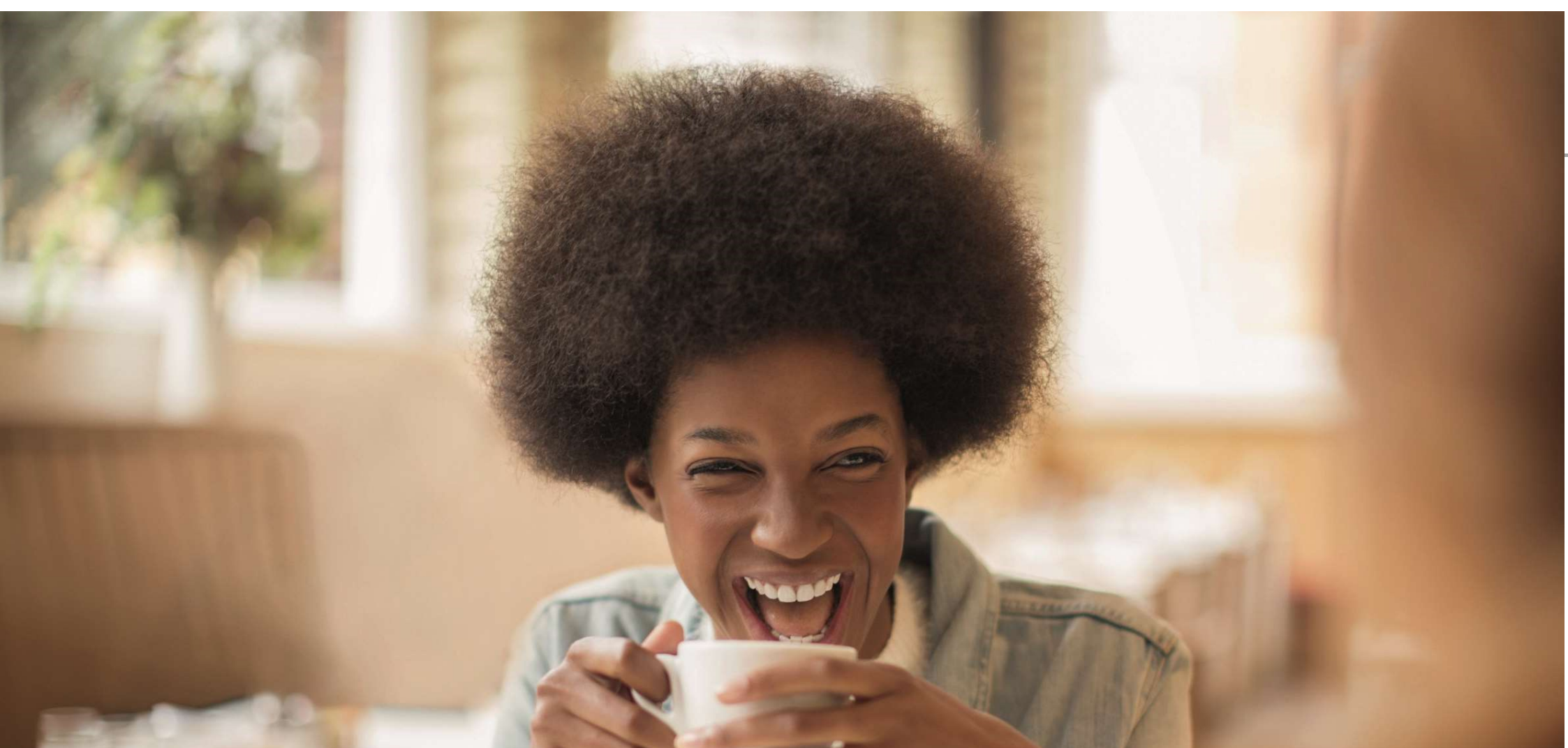
This document, and in particular the section entitled “2016 Outlook”, contains forward-looking statements, which reflect current views of the management of Massimo Zanetti Beverage Group S.p.A, (the “**Company**”) with respect to future events and financial and operational performance of the Company 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

FY RESULTS MEETS GUIDANCE

- Results in line with our plan
- Product and Channel Mix improved
- Food Service up 16.9%
- Coffee Gross Profit increased by 10.4%
- Organic Coffee Gross Profit per kg improved 12 cent (+4.9%)
- Single Serve up 59.2% in volumes and 49.3% in Revenue

M&A

- Nutricafés performance ahead of plan; integration moving forward on schedule
- Boncafè volumes up 21.9% and performance ahead of plan

UPDATE

- 2017 Outlook Confirmed
- Global ERP evaluation moving forward



2. Q1 2017 Results

Financial Highlights

Financial Results

Volumes 30,883 Tons **-0.6%**

Foodservice +16.9%

Mass Market +0.4%

Private Label -4.3%

Revenue € 233.6M **+7.1%**

Gross Profit € 96.7M **+8.9%**

EBITDA € 13.9M **+9.1%**

EPS € 0.07 cent **+75.0%**

NET DEBT € 232.9M **+€ 12.0M**



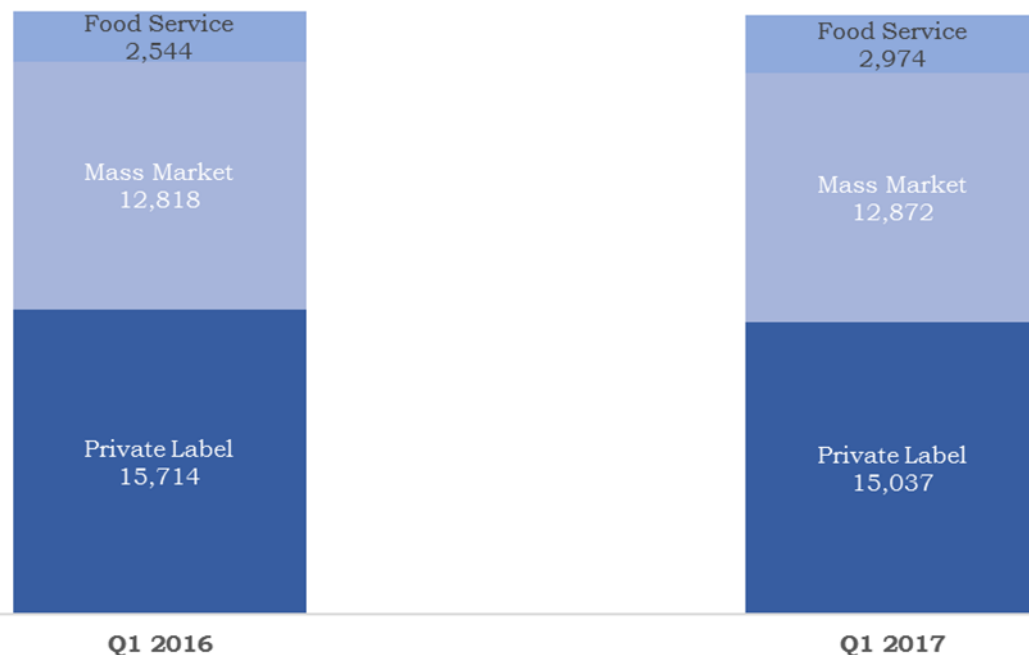
Volumes by Channel: mix improving

Roasted coffee volumes sold by distribution channel (in Tons)

-0.6%

31,076

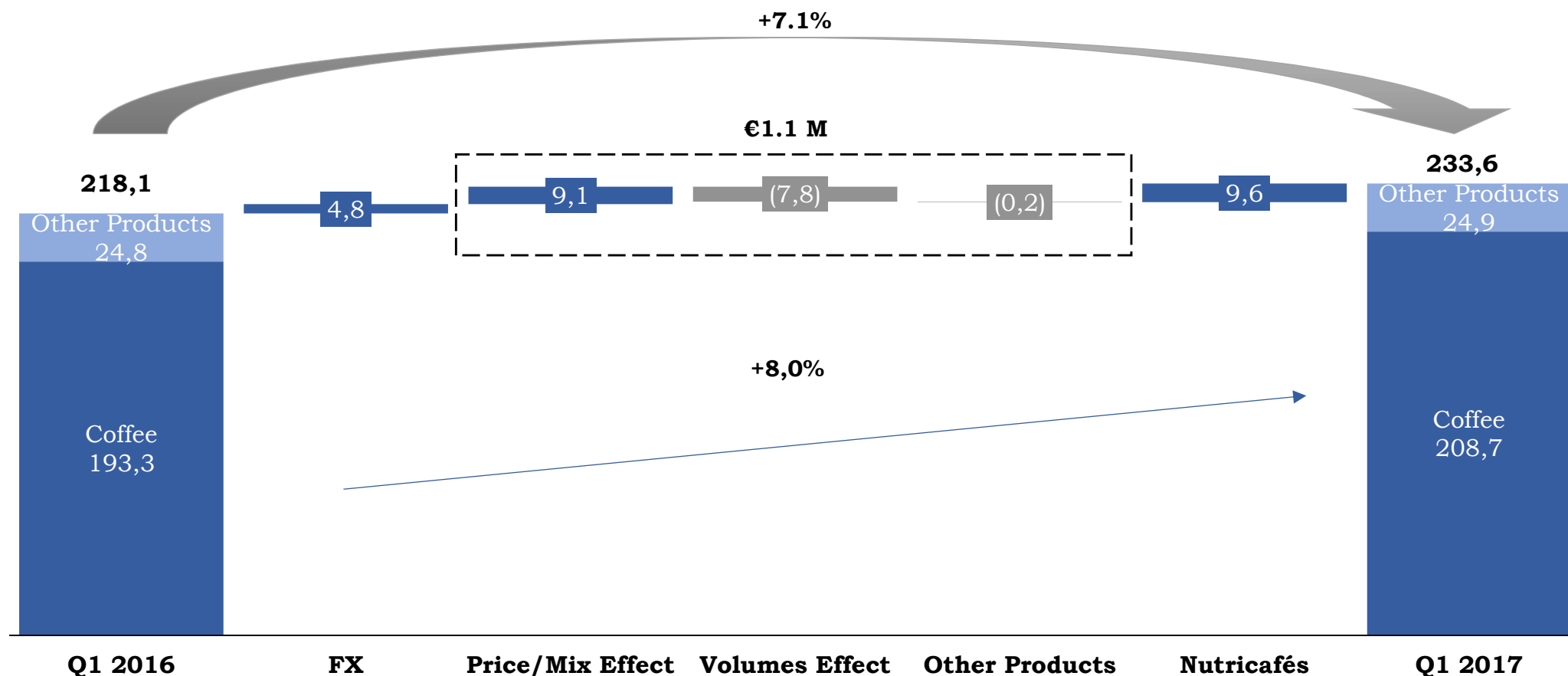
30,883



- **Volumes -0.6%**
- **Food Service +16.9%**, with positive performance in all regions, Excluding Nutricafés up by 1.8%, Food service accounts for 9.6% of total volumes,
- **Mass Market: +0.4%**, led by double digit growth in Southern Europe and Asia, Excluding Nutricafés, volumes were -1.8% Mass Market accounts for 41.7% of total volumes.
- **Private Label -4.3%**, the variance is mainly US related PL accounts for 48.7% of total volumes.
- **Capsules increased by 59.2%**, net of Nutricafes the increase is +14.3% with each region recording positive performance.

Revenue Bridge: Branded revenues increase

(€M)



- Sales increased 7.1%; roasted coffee sales were up by 8.0%
- Volume loss more than offset by channel/product mix improvement and average selling price increases
- Revenue growth in all regions and distribution channels

KEY FACTS

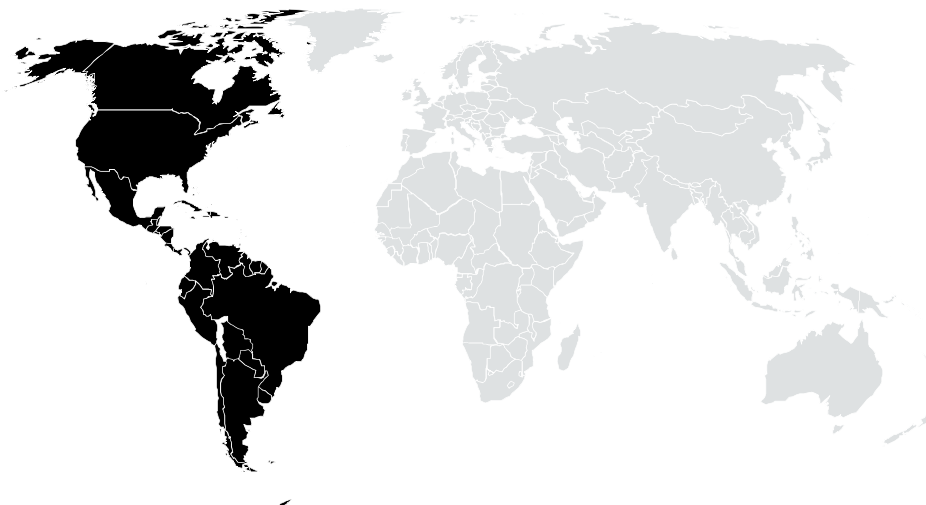
| | Q1 2017 | Q1 2016 | Delta % |
|-----------------|---------|---------|---------|
| Volume - Tons | 18,373 | 19,505 | -5.8% |
| Revenue – Eur M | 113.7 | 111.0 | +2.5% |

- Private Label volumes down due to YoY customer changes;
- Food Service up driven by new distribution in both national and OCS accounts;
- Mass Market slightly down due to competitive pricing pressure and arbitrage compression;
- Revenue up due to product/channel mix and to increase in ASP;
- Single Serve growth outpacing the market;
- Central and South America businesses performing ahead of plan.

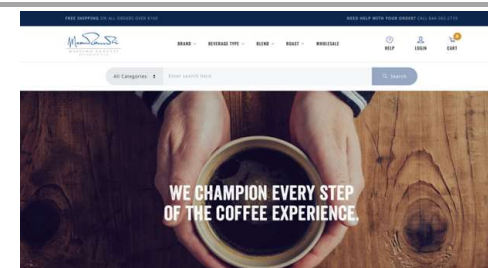
UPDATES

- Launched Chock Full o' Nuts brand refresh and new Kauai flavored coffee;
- E-commerce revenue growing 30% YoY with new platforms to be launched in Q2;
- Kauai and Segafredo brand revenues experiencing double digit growth;
- Private Label recovering in line with plan;
- New Segafredo Cafès development agreement signed.

MARKET: 59.5% of total volume



NEW LAUNCHES



Northern Europe

KEY FACTS

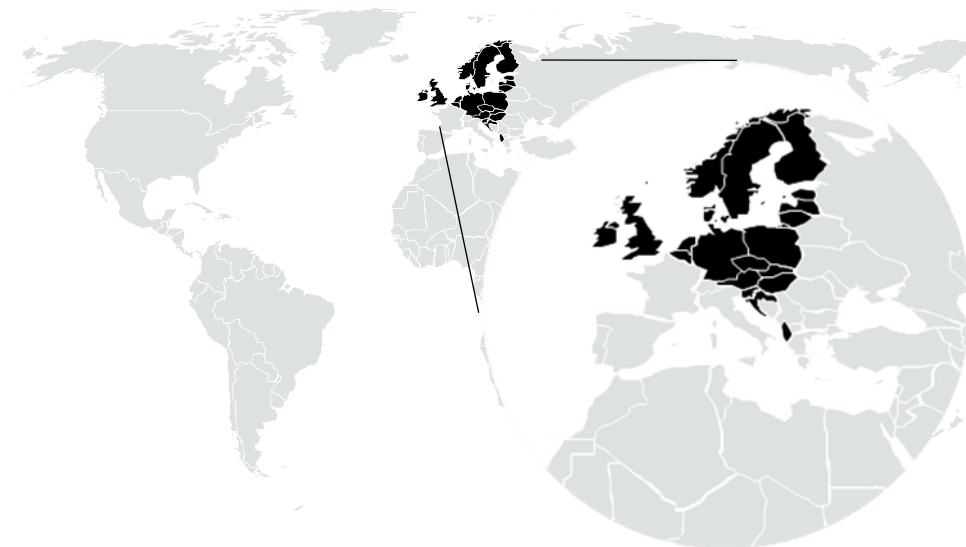
| | Q1 2017 | Q1 2016 | Delta % |
|-----------------|---------|---------|---------|
| Volume - Tons | 4,955 | 5,114 | -3.1% |
| Revenue – Eur M | 43.5 | 42.6 | +2.2% |

- Volumes in line with expectation
- Food Service: up mostly in Germany, Netherland and Poland driving existing customers as well as new acquisitions
- Mass Market:
 - Finland soft due to selling price increase and prior year promotional timing;
 - Netherlands overall trend is up due to improvements in top accounts;
 - Germany and Austria in line with our plan;
 - Poland more than doubled its volumes driven by both existing and new key accounts;
- Revenue up 2.2% driven by product mix and ASP

UPDATES

- Focus on acquisition of new higher value Food service customers;
- In Finland Darker Dark ready ahead of our expectation;
- Expansion of sustainable platform both Mass Market and Food Service

MARKET: 16.0% of total volumes



NEW LAUNCHES



Southern Europe

KEY FACTS

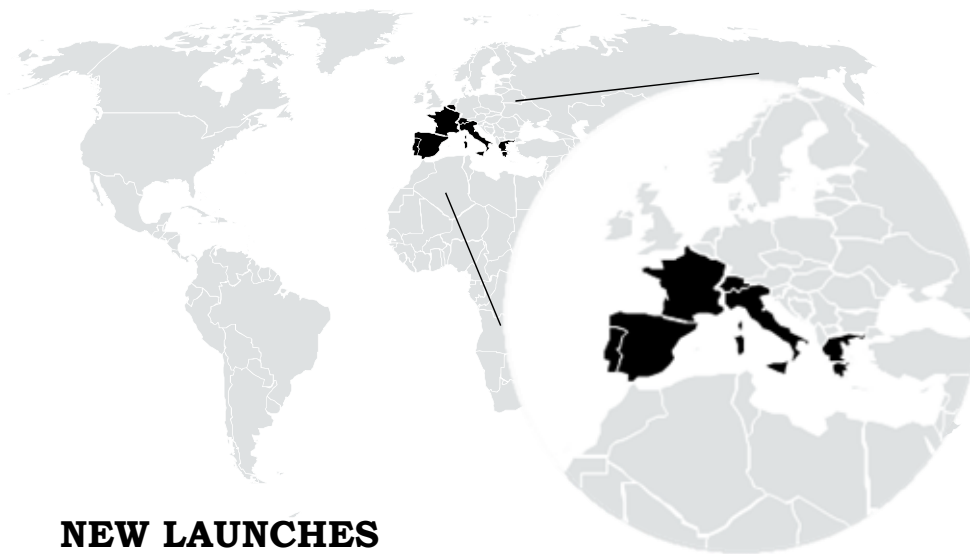
| | Q1 2017 | Q1 2016 | Delta % |
|-----------------|---------|---------|---------|
| Volume - Tons | 6,928 | 5,938 | +16.7% |
| Revenue – Eur M | 57.8 | 48.1 | +20.1% |

- Volumes up in all distribution channels
- Nutricafés contribution 1,061 tons in Portugal
- Food Service added 380 tons
- Mass Market: good performance despite price pressure
- Single serve triplicate volumes led by Nutricafés impact and successful launches/relaunches of Segafredo in Italy, France, Spain and Portugal
- Revenue up thanks to price increase and channel mix

UPDATES

- Media investment in Italy beginning to show positive results with Segafredo market share up;
- In Spain we were chosen as official coffee partner of La Vuelta biking race

MARKET: 22.4% of total volumes



NEW LAUNCHES



KEY FACTS

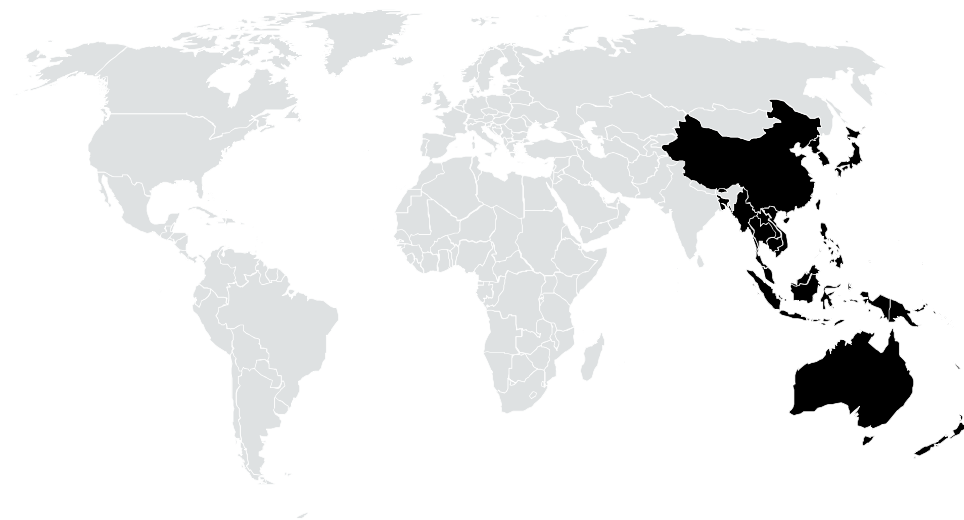
| | Q1 2017 | Q1 2016 | Delta % |
|-----------------|---------|---------|---------|
| Volume - Tons | 628 | 518 | +21.2% |
| Revenue – Eur M | 18.7 | 16.5 | +13.2% |

- Volumes up in all distribution channel;
- Food Service up led by Thailand and Singapore;
- Boncafe volume up 21.9%
- Mass Market up double digit mostly in Middle East and Thailand;
- Single serve up led by Thailand;
- Revenue growth in spite of price pressure, machines sales back to normal and positive FX impact;
- Café performance in line with previous year.

UPDATES

- Acquisition in Hong Kong of a important quick restaurant chain;
- Launch in various markets of an innovative automatic coffee machine;
- Launch in Thailand of «Capristta» coffee machine;
- Signature of agreement to open Segafredo Cafés in various airports in China;
- Opened new HQ's and show room in Vietnam and Malaysia

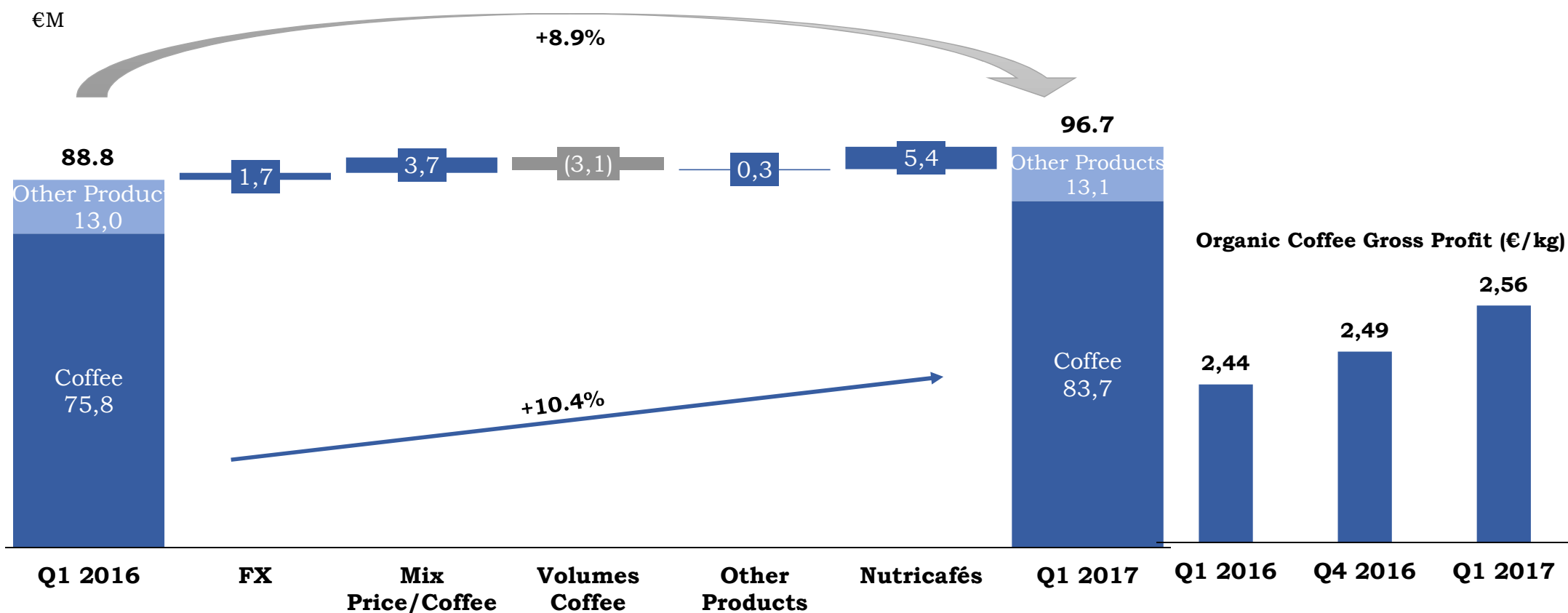
MARKET: 2.0% of total volumes



NEW LAUNCHES

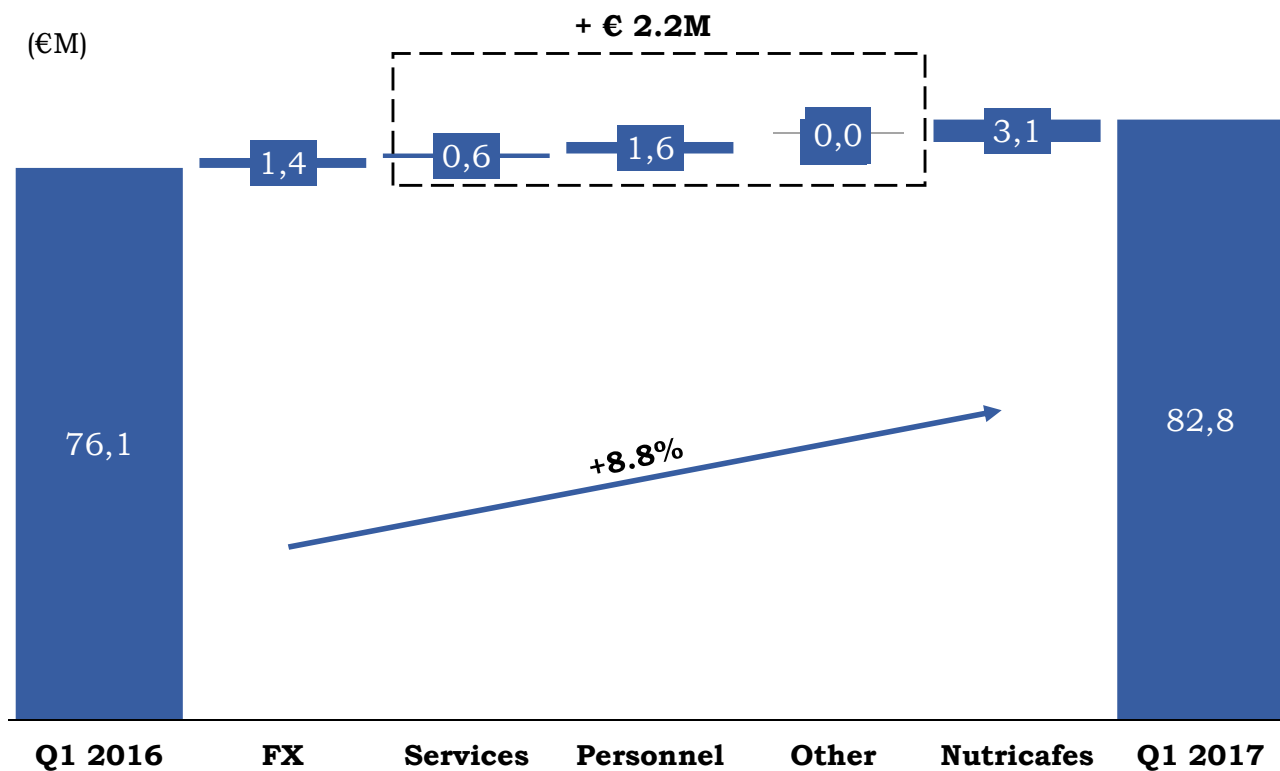


Gross Profit: a healthy growth



■ The positive price/mix effect reflects the Group ability to improve channel and product mix driven by increased brand penetration

OPEX



Organic Opex

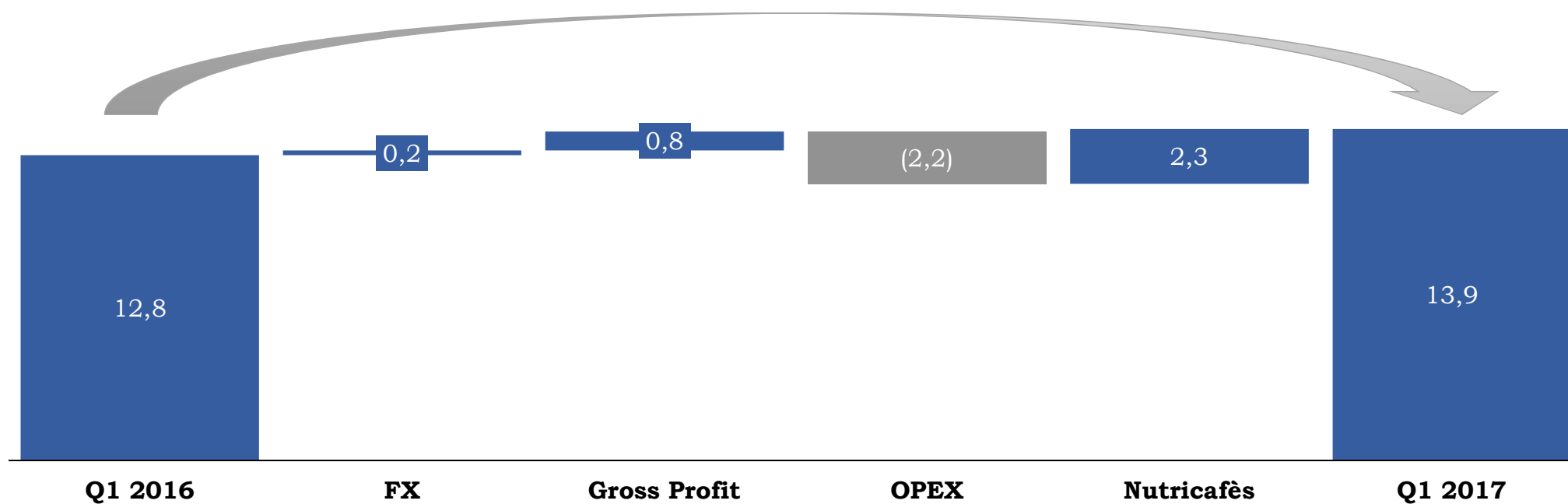
| | Q1 2016 | Q1 2017 | Delta 17 vs 16 (€M) |
|---------------|-------------|-------------|---------------------|
| Services | 42.0 | 42.6 | 0.6 |
| Personnel | 32.9 | 34.5 | 1.6 |
| Other costs | 1.2 | 1.2 | - |
| Totale | 76.1 | 78.3 | 2.2 |

- Organic Opex increased by 2.9% driven mainly by YoY timing in new organizational structure
- Service cost increase mainly driven by the New ERP project and maintenance costs

EBITDA

(€M)

+9.1%



- EBITDA in line with Group Plan
- Organic EBITDA in line with internal expectations
- Nutricafes ahead of plan through Q1 anticipate quarterly rebalancing of performance going forward

Free Cash Flow

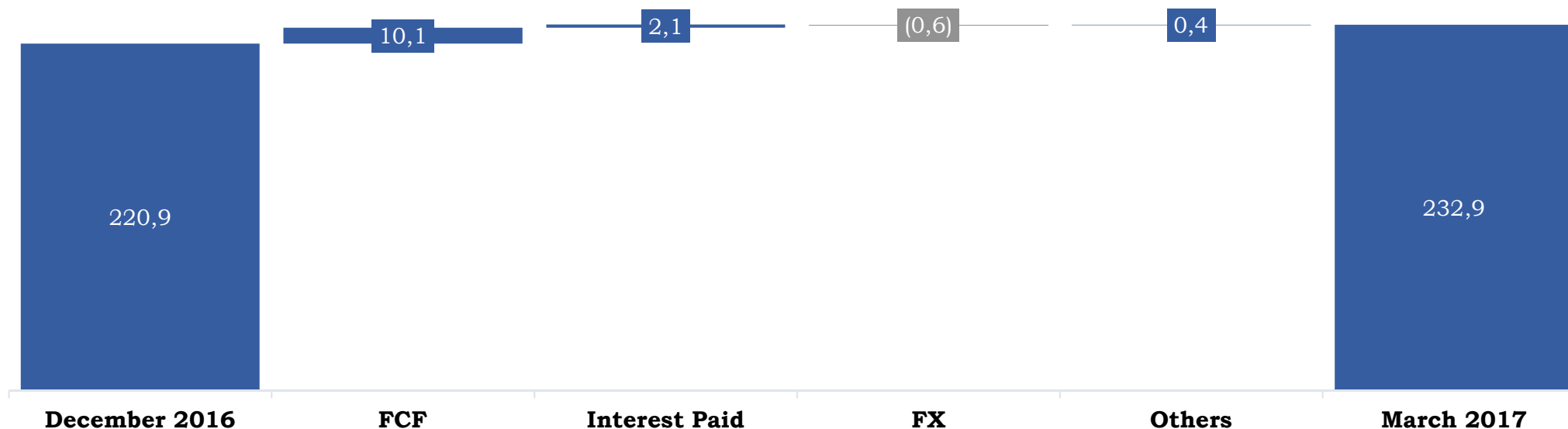
| (€M) | Q1 2016 | Q1 2017 |
|-----------------------|------------|---------------|
| EBITDA | 12.8 | 13.9 |
| Change in NWC | 2.4 | (16.5) |
| CAPEX | (6.9) | (7.9) |
| Tax Paid | (1.5) | (0.9) |
| Other | 1.1 | 1.3 |
| FREE CASH FLOW | 7.9 | (10.1) |

| (€M) | Q1 2016 | Q1 2017 |
|---------------------------|------------|---------------|
| Change in Inventory | 7.2 | (20.2) |
| Change in Receivables | (1.2) | (5.3) |
| Change in Payables | (3.5) | 9.1 |
| Change other credit/debts | (0.1) | (0.1) |
| Variazione CCN | 2.4 | (16.5) |

- FCF impacted by increase in Net Working Capital
- Net Working Capital mainly affected by the change in Inventories

Net Debt Evolution

(€M)



| Debt Profile | December 2016 | March 2017 |
|------------------------------------|---------------|------------|
| Fixed Interest Rate ⁽¹⁾ | 11% | 10% |
| Variable Interest Rate | 89% | 90% |
| Euro | 84% | 85% |
| USD | 16% | 15% |

- NFP increased as liquidity needed to finance working capital
- No significant changes in debt structure and composition

(1) After considering the effect of interest rate swap

2017 Outlook

Q1 2017 Financial Results

Volumes -0.6%

Gross Profit +8.9%

EBITDA +9.1%

NET DEBT €232.9 M

2017 Outlook*

Volumes ~+2.0% - ~+4.0%

Gross Profit ~ +5.0% - ~+7.0%

EBITDA ~ +10.0% - ~ +12.0%

NET DEBT €< 210.0 M

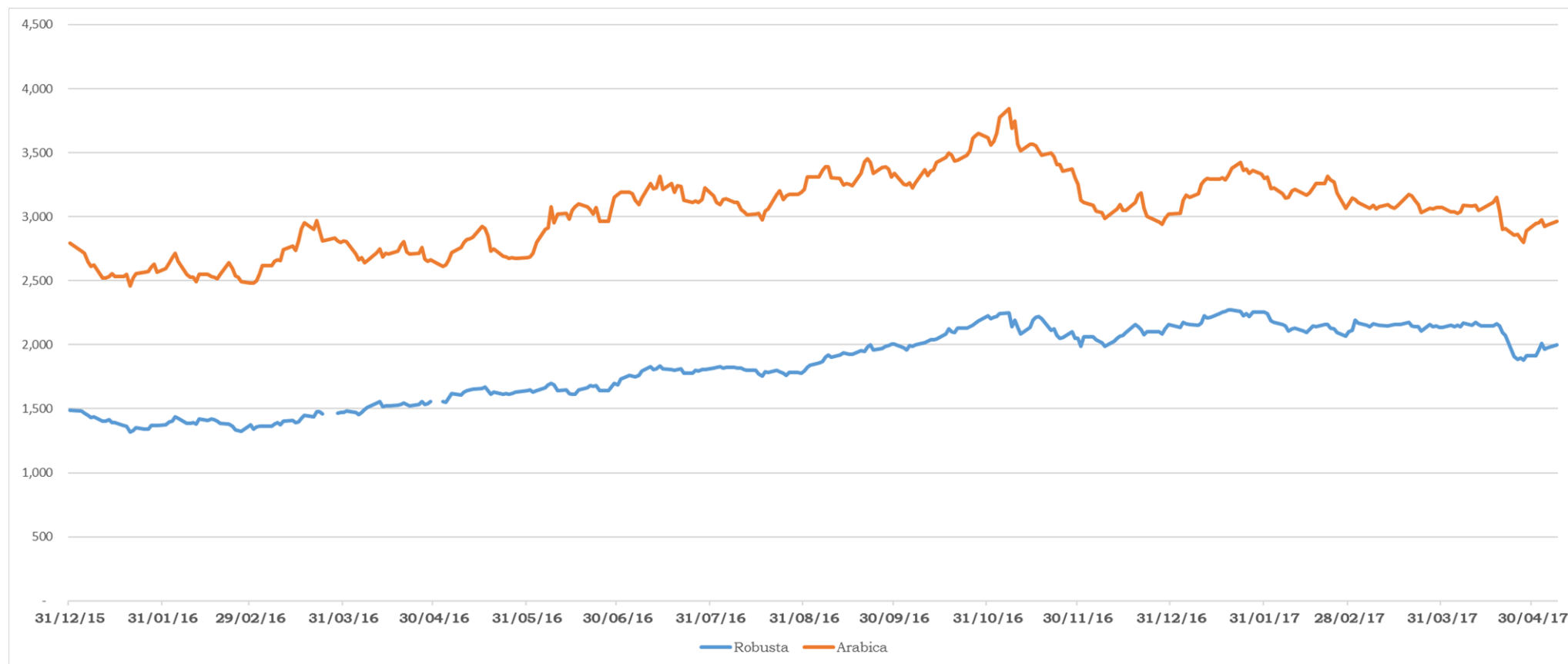
- This guidance does not include any M&A activity as well as any extraordinary events



Appendix

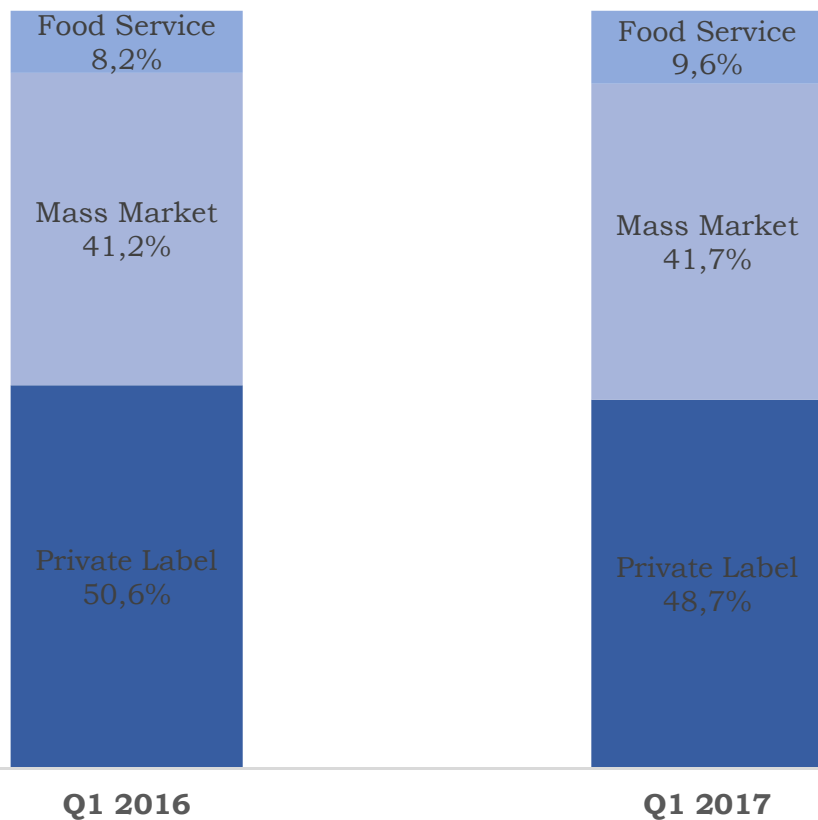
Green Coffee Price

\$/ton

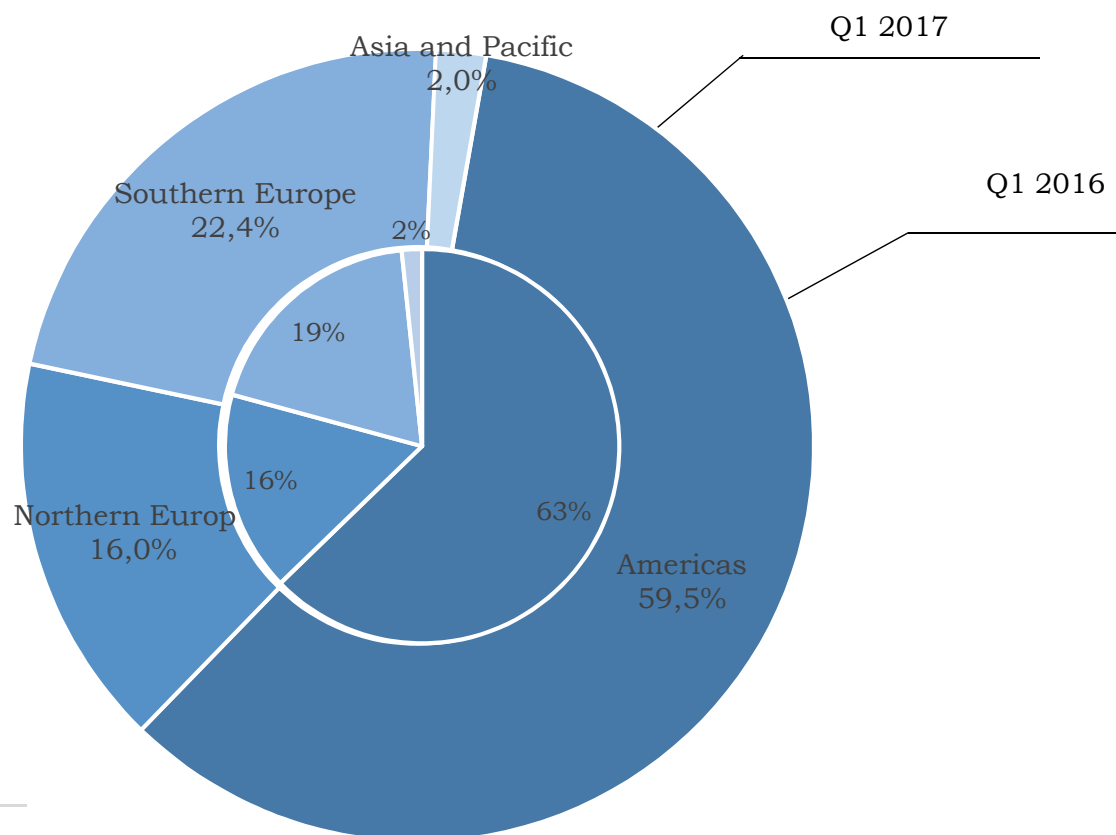


Volume Breakdown

By Channel (%)

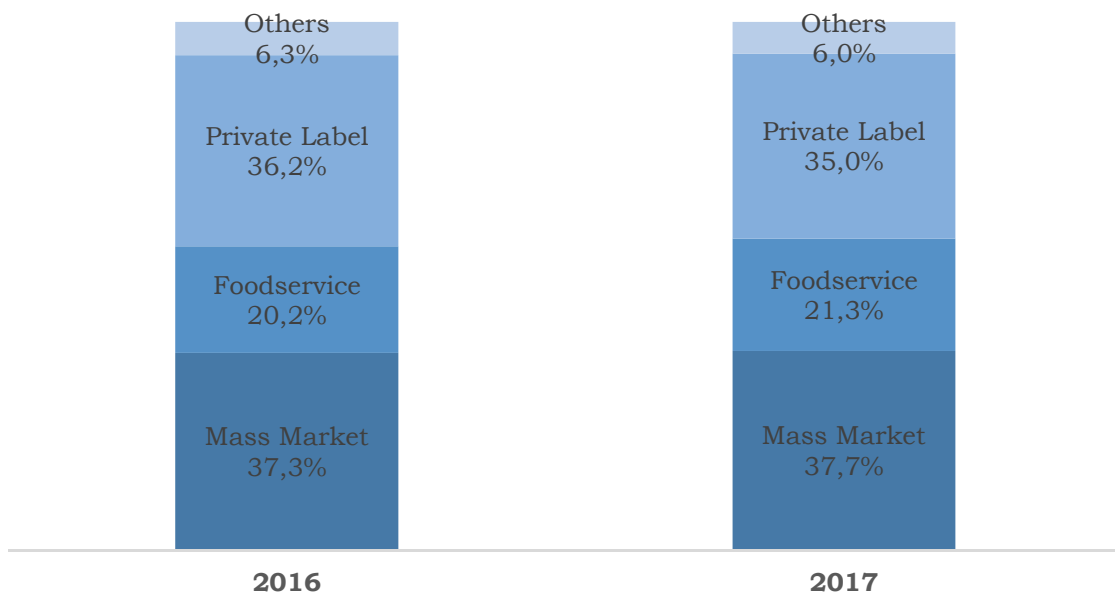


By geography (%)

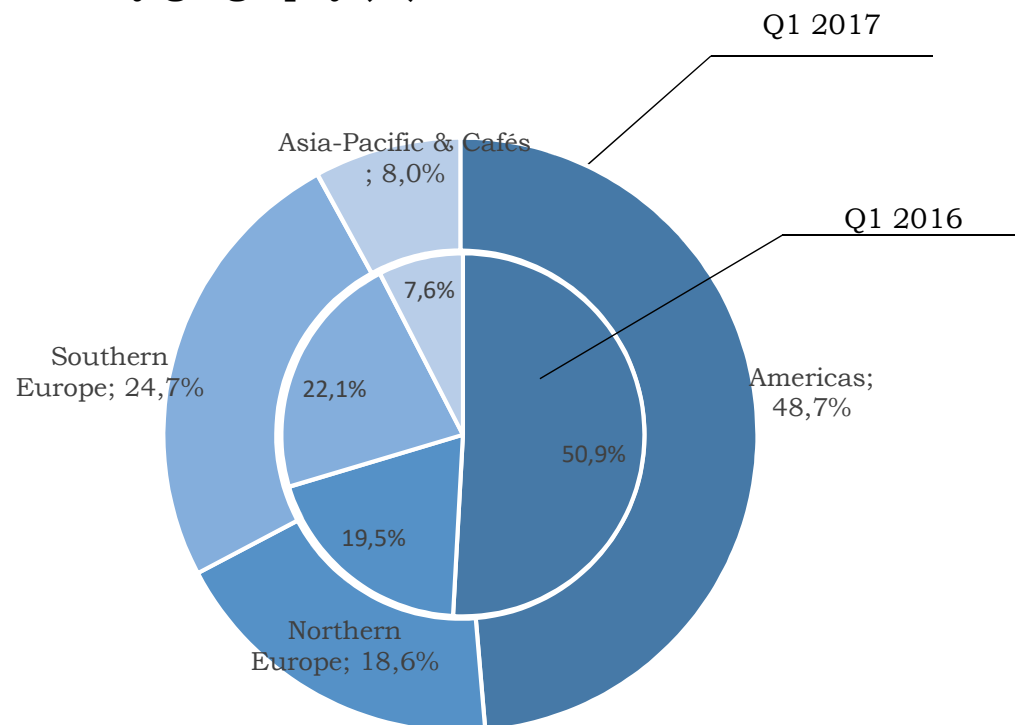


Revenue Breakdown

By Channel (%)

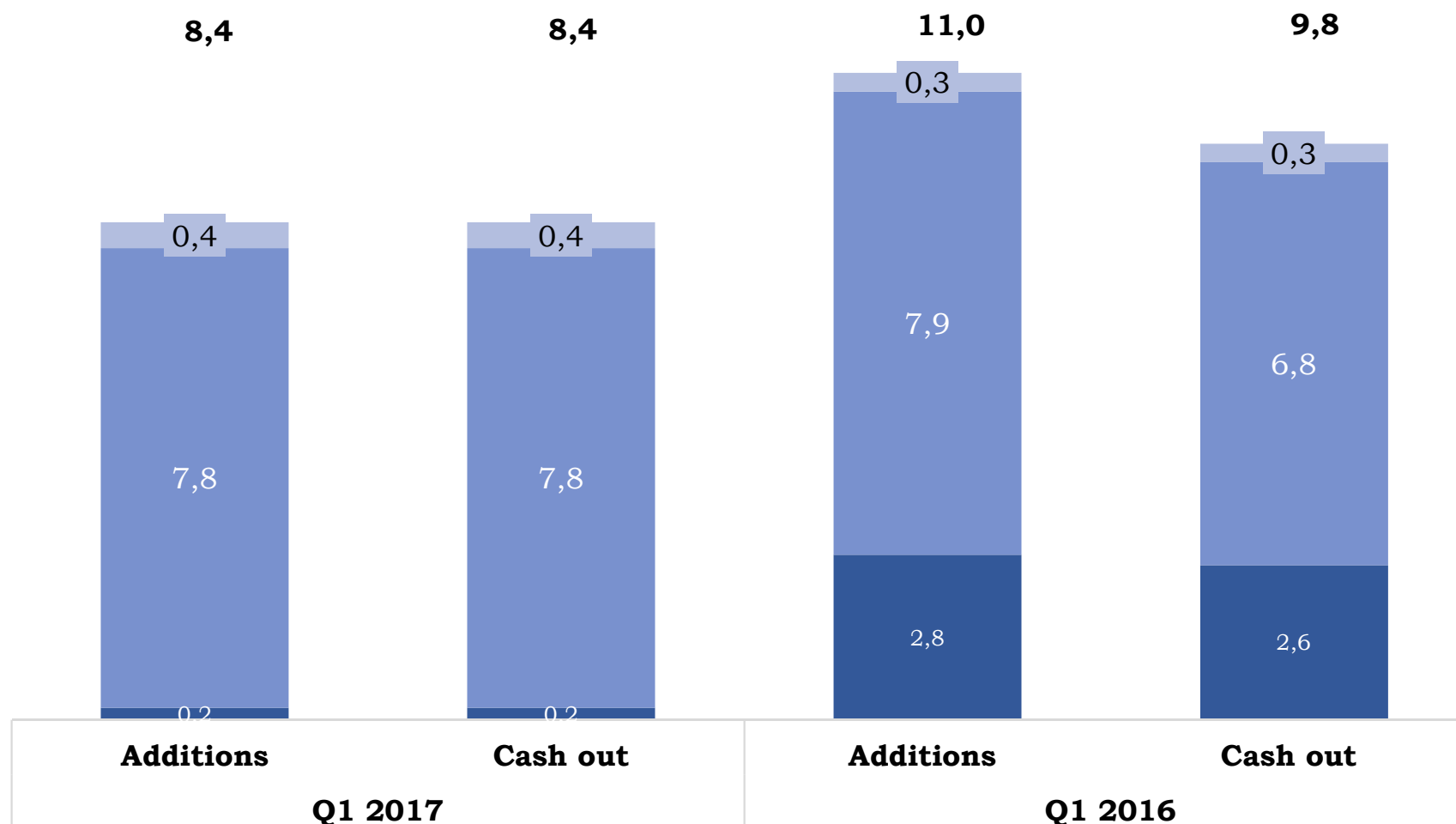


By geography (%)



Capex Profile

(€M)



■ Business combinations under common control ■ PP&E ■ Intangible assets

Consolidated Income Statement

| <i>(in thousands of euro)</i> | Three months ended March 31, | |
|---|------------------------------|--------------|
| | 2017 | 2016 |
| Revenue | 233,640 | 218,123 |
| Other income | 1,549 | 1,324 |
| Purchases of goods | (136,889) | (129,304) |
| Purchases of services, leases and rentals | (45,012) | (41,981) |
| Personnel costs | (36,679) | (32,917) |
| Other operating costs | (1,581) | (1,749) |
| Amortization, depreciation and impairment | (10,195) | (8,469) |
| Operating profit | 4,833 | 5,027 |
| Finance income | 56 | 60 |
| Finance costs | (1,000) | (2,562) |
| Profit/(loss) on equity consolidated companies | (80) | (2) |
| Profit before tax | 3,809 | 2,520 |
| Income tax expense | (1,490) | (1,224) |
| Profit for the period | 2,319 | 1,296 |
| Profit attributable to: | | |
| <i>Non-controlling interests</i> | <i>47</i> | <i>55</i> |
| <i>Owners of the parent</i> | <i>2,272</i> | <i>1,241</i> |
| Earnings per share basic / diluted (in Euro) | 0.07 | 0.04 |

Consolidated Statement of Financial Position

| <i>(in thousands of euro)</i> | March 31, 2017 | December 31, 2016* |
|--|----------------|--------------------|
| Intangible assets | 189,360 | 189,423 |
| Property, plant and equipment | 219,475 | 220,173 |
| Investment properties | 4,293 | 4,319 |
| Investments in joint venture/associates | 10,715 | 10,943 |
| Non-current trade receivables | 4,148 | 4,129 |
| Deferred tax assets | 10,871 | 9,799 |
| Other non-current assets | 17,243 | 16,036 |
| Total non-current assets | 456,105 | 454,822 |
| Inventories | 152,196 | 132,858 |
| Trade receivables | 125,710 | 122,074 |
| Income tax assets | 2,397 | 1,611 |
| Other current assets | 22,730 | 22,014 |
| Cash and cash equivalents | 46,634 | 45,167 |
| Total current assets | 349,667 | 323,724 |
| Total assets | 805,772 | 778,546 |
| Share capital | 34,300 | 34,300 |
| Other reserves | 123,565 | 124,738 |
| Retained earnings | 151,329 | 149,057 |
| Equity attributable to owners of the parent | 309,194 | 308,095 |
| Non-controlling interests | 1,896 | 1,849 |
| Total equity | 311,090 | 309,944 |
| Non-current borrowings | 199,373 | 192,117 |
| Employee benefits | 9,368 | 9,268 |
| Other non-current provisions | 3,357 | 3,949 |
| Deferred tax liabilities | 30,530 | 29,069 |
| Other non-current liabilities | 3,257 | 3,345 |
| Total non-current liabilities | 245,885 | 237,748 |
| Current borrowings | 82,685 | 77,430 |
| Trade payables | 130,807 | 122,209 |
| Income tax liabilities | 1,394 | 644 |
| Other current liabilities | 33,911 | 30,571 |
| Total current liabilities | 248,797 | 230,854 |
| Total liabilities | 494,682 | 468,602 |

*The items of current and non-current receivables from clients have been reclassified to improve comparability with the corresponding balances as at 31 March 2017

Consolidated Statement of Cash Flows

| (in thousands of Euro) | Three months ended 31 March | |
|---|-----------------------------|----------------|
| | 2017 | 2016 |
| Profit before tax | 3,809 | 2,520 |
| Adjustments for: | | |
| Depreciation, amortization and impairment | 10,195 | 8,469 |
| Provisions for employee benefits and other charges | 261 | 417 |
| Finance expense | 944 | 2,507 |
| Other non-monetary items | 44 | 47 |
| Net cash generated from operating activities before changes in working capital | 15,253 | 13,960 |
| Decrease/(increase) in inventory | (20,239) | 7,181 |
| Decrease/(increase) in trade receivables | (5,300) | (1,220) |
| Decrease in trade payables | 9,087 | (3,464) |
| (Increase)/decrease in other assets/liabilities | 71 | 217 |
| Payments of employee benefits | (130) | (327) |
| Interest paid | (2,079) | (1,203) |
| Income tax paid | (926) | (1,537) |
| Net cash (used in) generated from operating activities | (4,263) | 13,607 |
| Acquisition of subsidiary, net of cash acquired | (200) | - |
| Acquisition of subsidiary under common control, net of cash acquired | - | (2,624) |
| Purchase of property, plant and equipment | (7,808) | (6,842) |
| Purchase of intangible assets | (439) | (316) |
| Proceeds from sale of property, plant and equipment | 287 | 261 |
| Proceeds from sale of intangible assets | 29 | - |
| Changes in financial receivables | 774 | 73 |
| Interest received | 6 | 42 |
| Net cash used in investing activities | (7,351) | (9,406) |
| Proceeds from borrowings | 15,000 | 20,000 |
| Repayment of borrowings | (16,036) | (4,413) |
| Increase/(decrease) in short-term loans | 14,004 | (1,868) |
| Net cash generated from financing activities | 12,968 | 13,719 |
| Exchange gains on cash and cash equivalents | 113 | (354) |
| Net increase in cash and cash equivalents | 1,467 | 17,566 |
| Cash and cash equivalents at the beginning of the period | 45,167 | 25,574 |

Non-GAAP Measure Reconciliation

| | NET DEBT | At March, 31 st 2017 | At Dec, 31 st 2016 |
|---|---|-------------------------|-----------------------|
| | (in thousands of Euro) | | |
| A | Cash and cash equivalents | (2,029) | (931) |
| B | Cash at bank | (44,605) | (44,236) |
| C | Securities held for trading | - | - |
| D | Liquidity (A+B+C) | (46,634) | (45,167) |
| E | Current financial receivables | (2,557) | (3,495) |
| F | Current loans | 64,782 | 50,870 |
| G | Current portion of non-current loans | 16,426 | 24,952 |
| H | Other current financial payables | 1,477 | 1,608 |
| I | Current indebtedness (F+G+H) | 82,685 | 77,430 |
| J | Net current indebtedness (I+E+D) | 33,494 | 28,768 |
| K | Non-current loans | 196,529 | 189,393 |
| L | Issued bonds | - | - |
| M | Other non-current financial payables | 2,844 | 2,724 |
| N | Non-current indebtedness (K+L+M) | 199,373 | 192,117 |
| O | Net financial indebtedness (J+N) | 232,867 | 220,885 |

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Q&A Session



BONCAFÉ

restaurant
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BONTEA
SIGNATURE COLLECTION



Cafe Mag



Chock
full o' Nuts



HILLS
BROS.
CAPPUCCINO

KAUAI
COFFEE

Kulta
Katriina

meira



Puccino's™



Reilu
KAHVI

Saludo

