

Massimo Zanetti

MASSIMO ZANETTI
BEVERAGE GROUP

Massimo Zanetti Beverage Group

STAR CONFERENCE
October 2017
London



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. Group Profile

A pure global coffee player

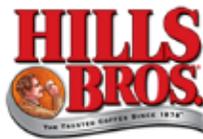
Vision

We aim to offer our coffee, in its various forms, our cafés, our quality and our service worldwide

Main Brands (*)



BONCAFÉ



Kulta Katriina



Business model

- Pure global coffee player in a growing sector
- Geographically strength, selling products in c.110 countries;
- Strong portfolio of leading brands positioned in growing countries;
- Fully integrated across the value chain and well positioned across all channels to drive growth

Ambitions

- MZB Group ambition is to achieve a **selective global integration** under Segafredo brand without losing local specialties strengths;
- MZB Group aim is to **increase the value for its shareholders'** through:
 - Higher Brand Awareness
 - Channel & Product Mix and Innovation
 - Operational efficiencies
 - Café development & expansion

Global Connector

Regional Leaders

Our Brands

One of the largest coffee players worldwide

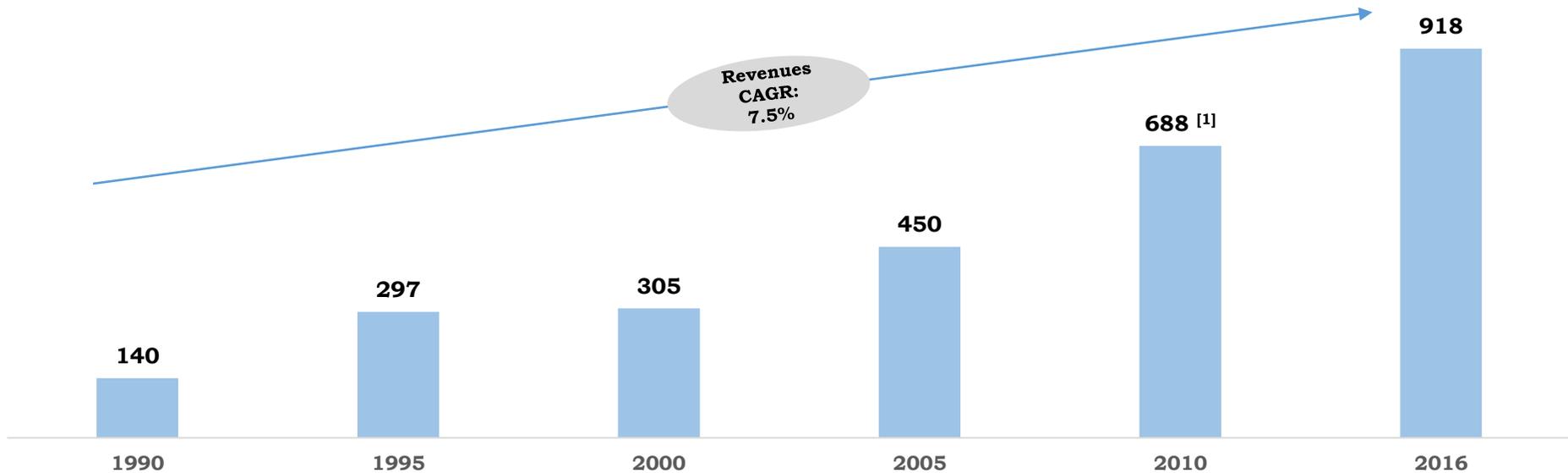


One Global Brand, more than 30 regional brands;
 18 plants on 4 continents;
 More than 100,000 customers;
 More than 43 million cups of coffee served per day;
 ~ 400 Coffee shops franchisees;
 ~ 100,000 coffee machines installed

Segafredo:
 The Icon Global Brand



A pioneer in the coffee industry



Robust financial performance

Successful track record in organic and M&A driven growth

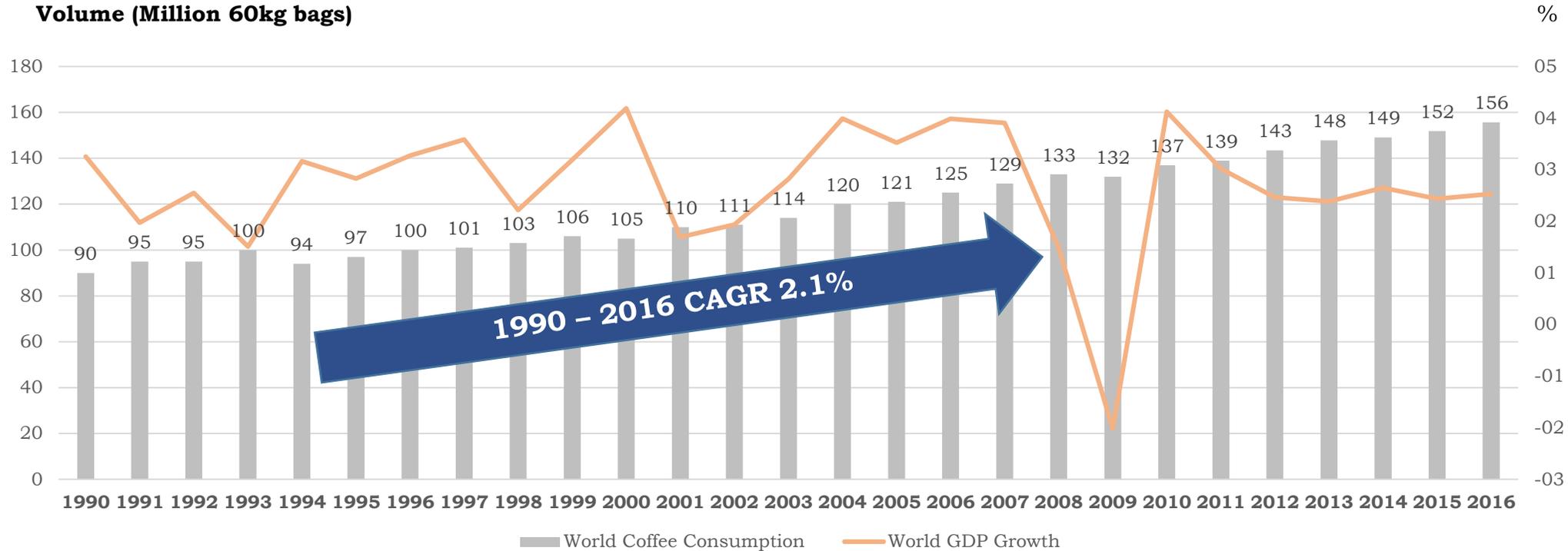
NOTE: THROUGHOUT THE DOCUMENT ALL FINANCIAL FIGURES ARE EXPRESSED IN €M AND FOR 2012 ONWARD REPORTED ACCORDING TO IFRS ACCOUNTING PRINCIPLES UNLESS OTHERWISE STATED. 2014 FIGURES ARE UNAUDITED.

^[1] Before discontinuing operations ITA GAAP consolidated financial figures for 1990-2010 (i.e. considering also other activities not included in the IPO perimeter)

...in a long-term growing market with rock-solid industry fundamentals...

Coffee consumption is characterized by stable and resilient growth

Volume (Million 60kg bags)



Well Positioned Across All Channels

Food Service

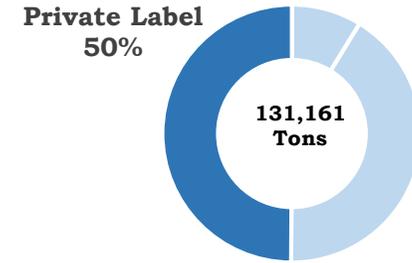
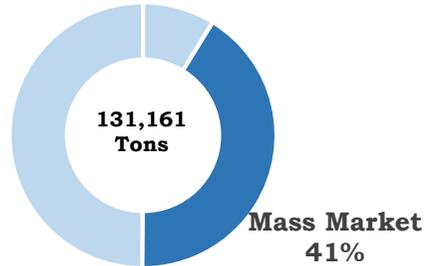
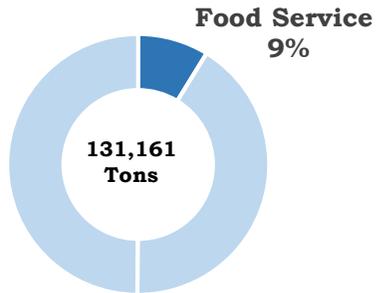
Mass Market

Private Label

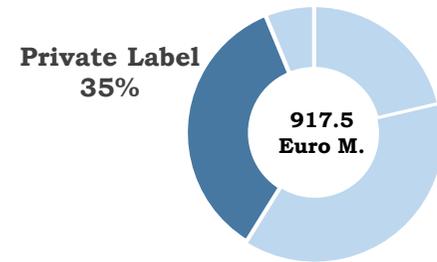
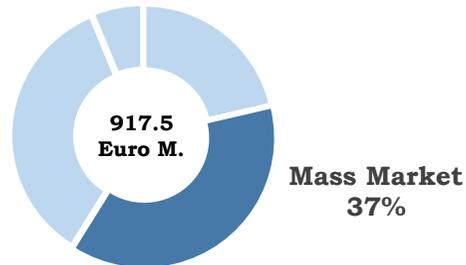
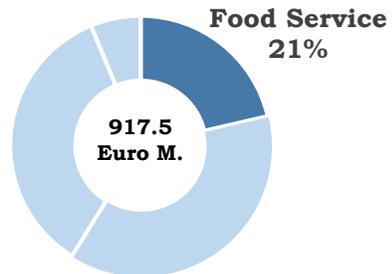
Channel



Volumes



Revenues



A broad offer for any customers' need

Coffee Products (88.5%)				Coffee Ancillary (5.0%)		Other Food (5.3%)	Other (1.4%)
Whole Beans	Ground	Instant	Single-Serve	Equipment (3.6%)	Cafés (1.2%)		
							

Growth Roadmap

1

Strengthen
market
position

Foodservice Segment expansion: (Primary Focus)

- Enhance Brand Awareness (**Sponsorship, Cafés**)
- National accounts (**hotel chains, restaurants**)
- Product development and **innovation**;
- Leverage **coffee expertise, service and equipment** to drive new customer acquisition
- **Coffee centric** account **focus** (commercial, office, campus)

Enhance Mass Market:

- **Single-serve, premiumisation** and **cross-selling**
- Improve Brand Awareness (**WOMM, promotions, advertising**)
- Product development and **innovation**;

Private Label

- Strengthen penetration in **strategic customers**

2

Exploit Asian
opportunities

- Expanding **direct presence** and exposure in the region
- Revenues synergies through **cross-selling**
- **Expand cafes** through **master franchisees**
- Develop products to capitalize on market trends (**RTD, sustainable, gourmet**)

3

M&A

- Discipline in Acquisitions: focus on **return on capital employed**
- Focus on **new markets** (e.g. emerging markets)
- Expand into **existing markets**
- Expand **brand portfolio** and capabilities

4

Operational
efficiency

- Manufacturing **capacity optimization globally**
- Companies **optimization** and **reorganization**
- Supply Chain **distribution** and **service re-alignment**
- Organization alignment to facilitate **knowledge sharing** and drive **best practices**



2. H1 2017 Results



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



Financial Highlights

Volumes

63,239 tons **-0.7%**

Food Service: +16.7%

Mass Market: +1.3%

Private Label: -5.2%

Revenue

€ 475.6M **+7.4%**

Food Service growth +13.4%

Gross Profit

€195.9M **+6.3%**

EBITDA

€ 29.1M **+ 9.1%**

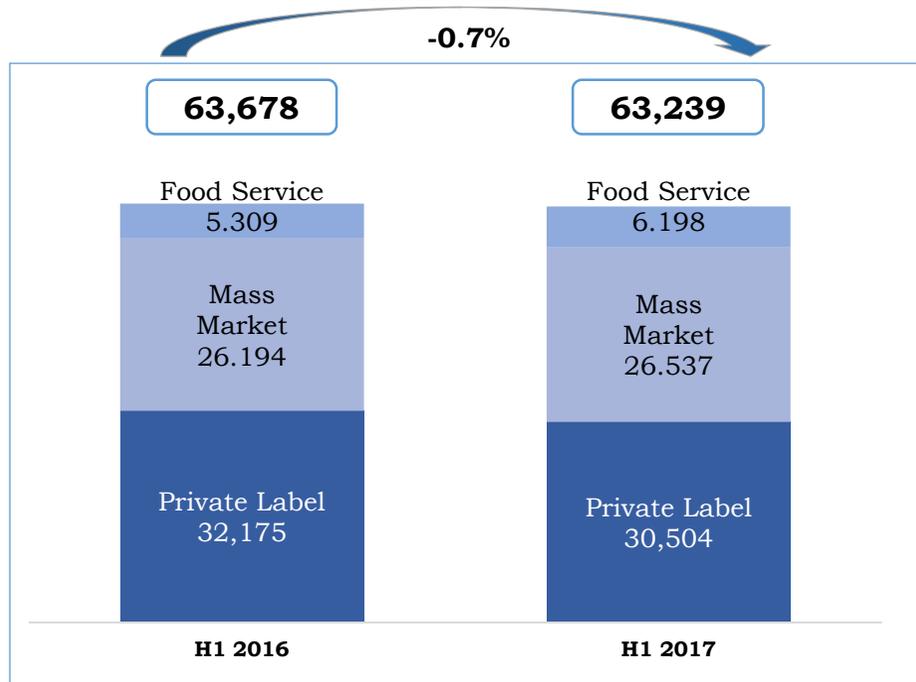
NET DEBT

€ 247.0M + **€26.1M**

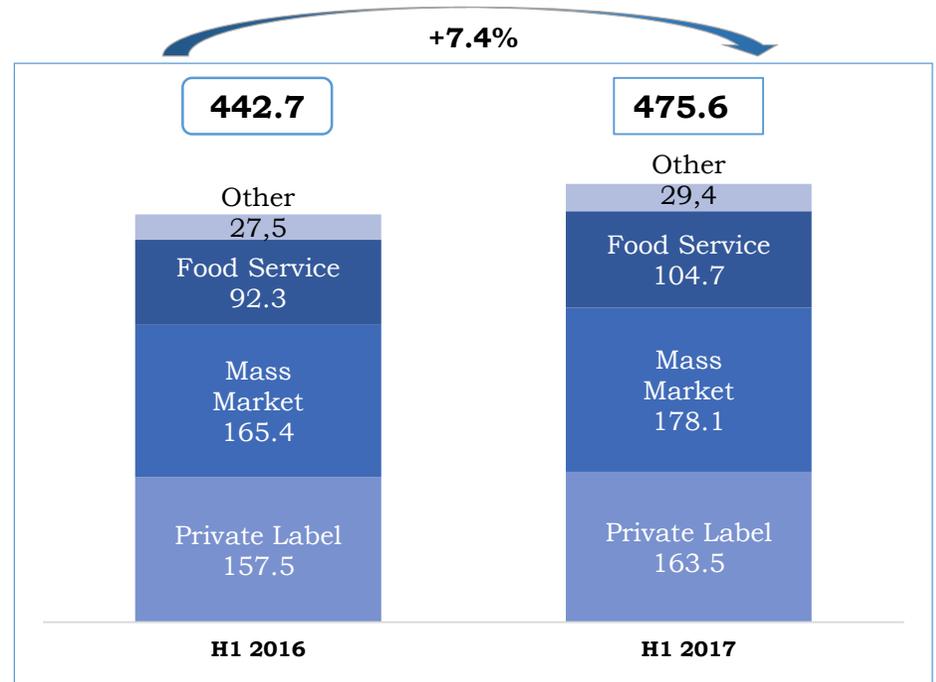


Volumes and Revenue by Channel: Mix Improving

Roasted coffee volumes sold by distribution channel (in Tons)



Revenue by distribution channel (in Euro M.)



Single Serve: Volumes +64.5%

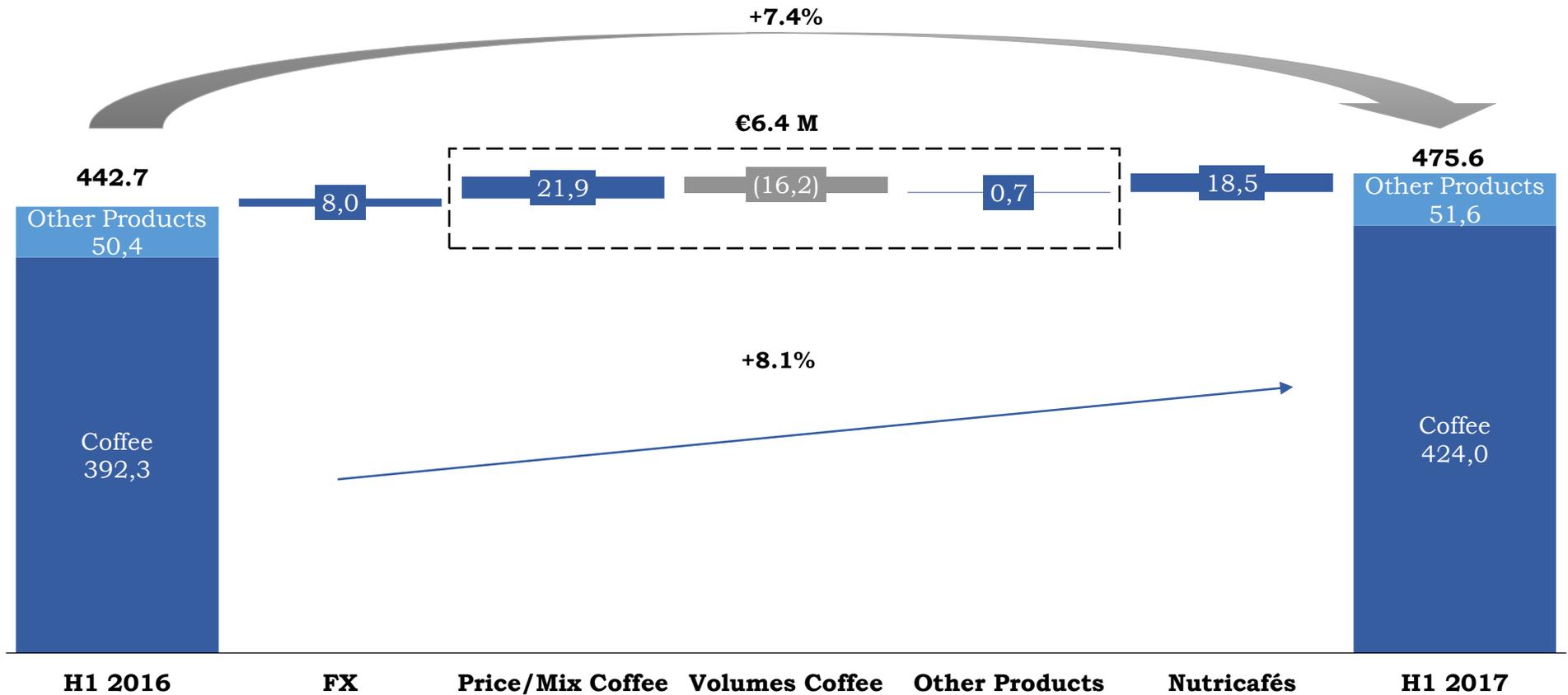
- **Food Service +16.7%**, with growth in all regions. Food service accounts for 9.8% of total volumes.
- **Mass Market: +1.3%**, mainly in Southern Europe and Asia. Mass Market accounts for 42.0% of total volumes.
- **Private Label -5.2%** mainly led by US customer. PL accounts for 48.2% of total volumes.

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

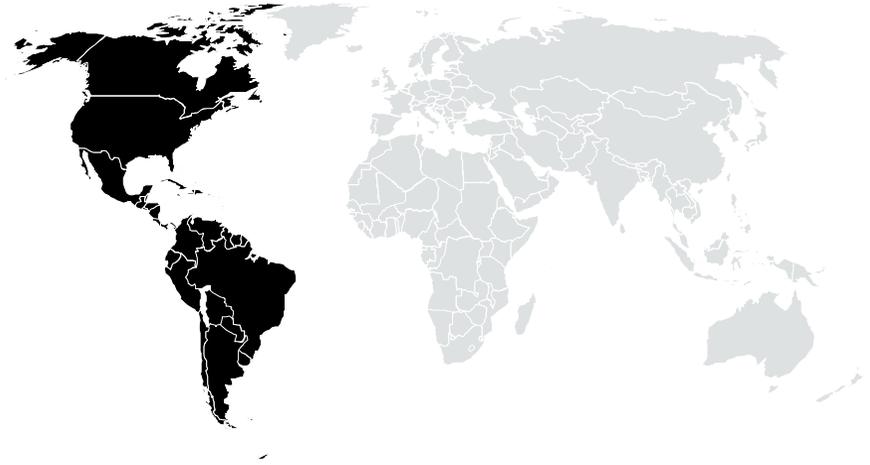
	H1 2017	H1 2016	Delta %
Volume - Tons	37,134	39,526	-6.1%
Revenue – Euro M	227.2	220.6	+3.0%

- 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 Café 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 Kulta Katrina Darker Dark exceeding our expectation;

MARKET: 16.1% of total volumes



NEW LAUNCHES



Southern Europe

KEY FACTS

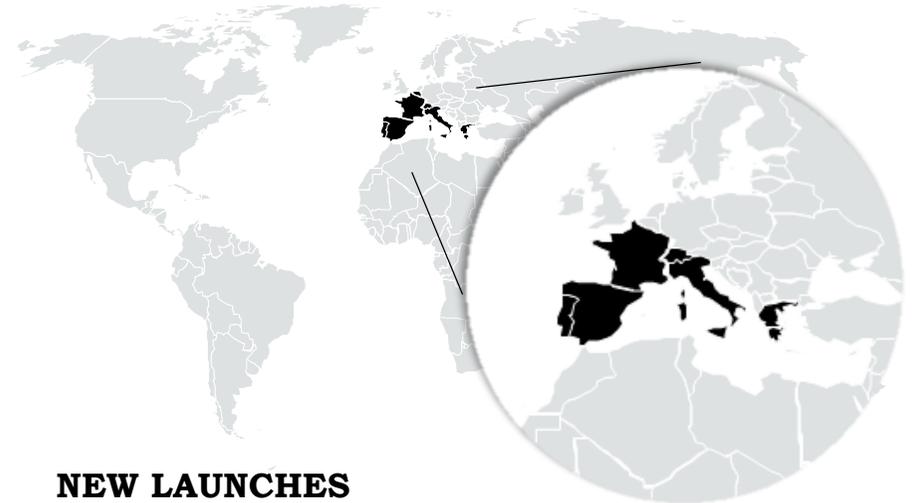
	H1 2017	H1 2016	Delta %
Volume – Tons	14,663	12,948	+13.2%
Revenue – Euro M	121.4	103.8	+17.0%

- 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 «Ciclamino» jersey; official sponsor of several Granfondo cycling events.

MARKET: 23.2% of total volumes



NEW LAUNCHES



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

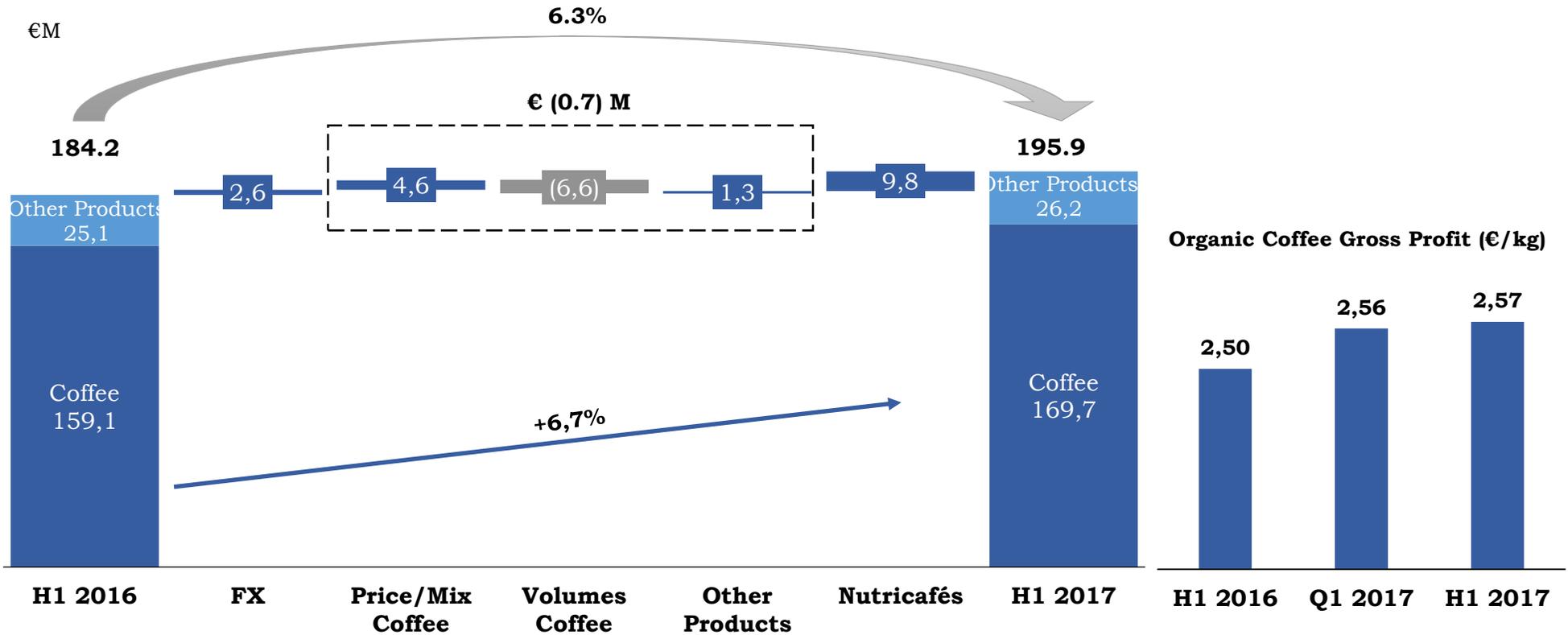


Global Brand Awareness

Continue to rollout openings of our various concepts

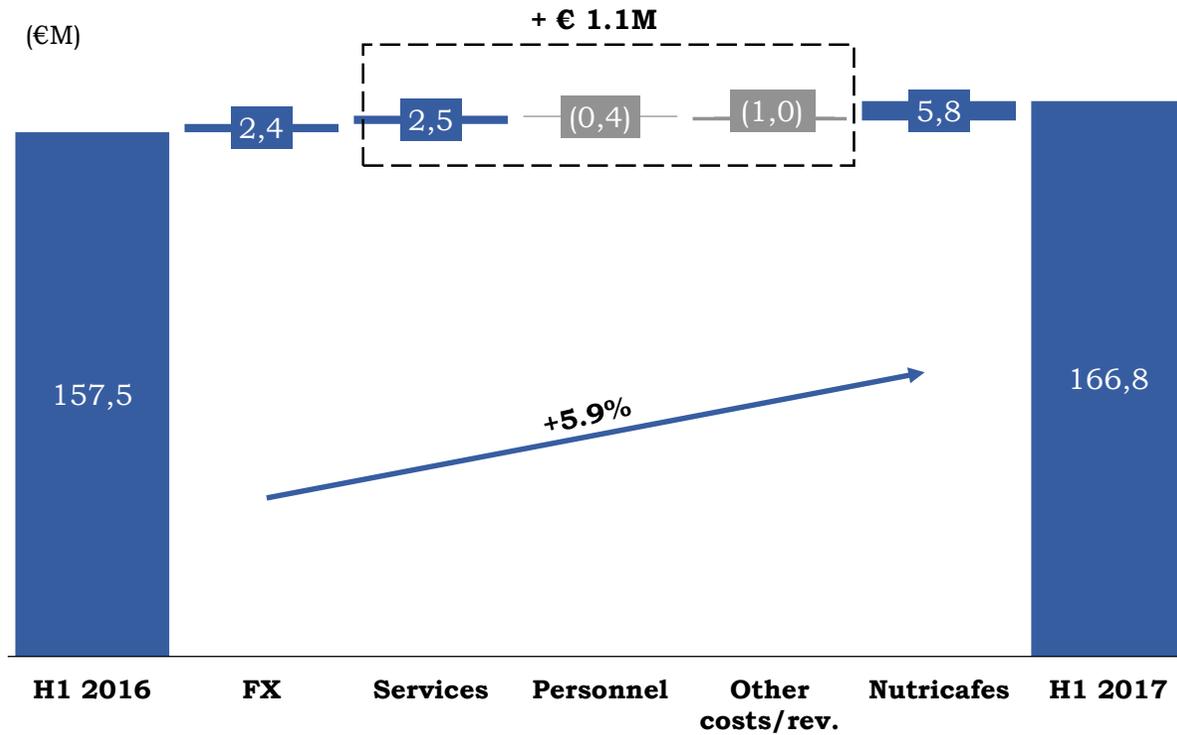


Gross Profit: Growth continues



■ Organic Coffee GP continue to growth;

OPEX: Stabilizing



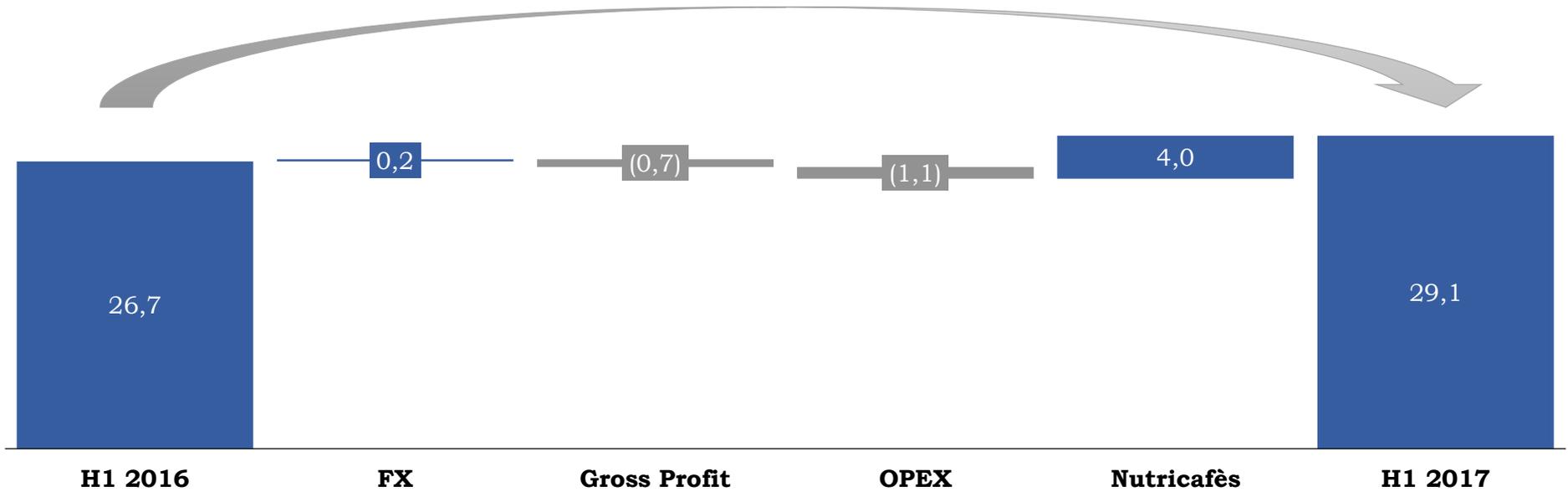
Organic Opex	Q1 17	Q2 17	H1 17
Services	0.6	1.9	2.5
Personnel	1.6	(2.0)	(0.4)
Other costs/ (revenues)	-	(1.0)	(1.0)
Total	2.2	(1.1)	1.1

- 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

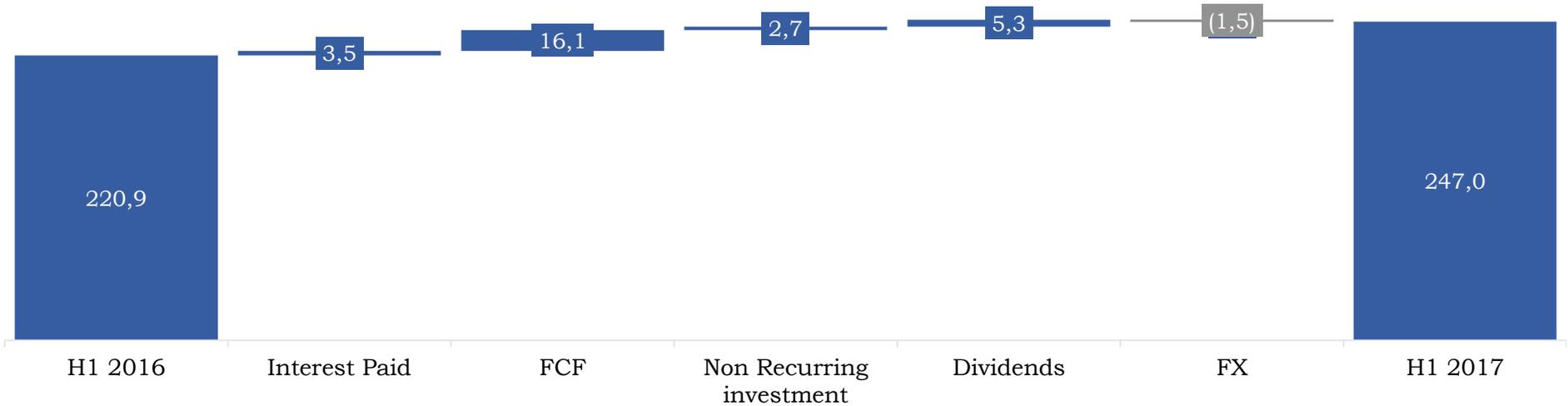
(€M)	H1 2016	Q1 2017	H1 2017
EBITDA	26.7	13.9	29.1
Change in NWC	32.2	(16.5)	(25.2)
CAPEX	(14.2)	(7.9)	(19.1)
Taxes	(3.1)	(0.9)	(2.8)
Others	2.8	1.3	1.9
FREE CASH FLOW	44.4	(10.1)	(16.1)

(€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
Change in Net Working Capital	32.2	(16.5)	(25.2)

- 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%

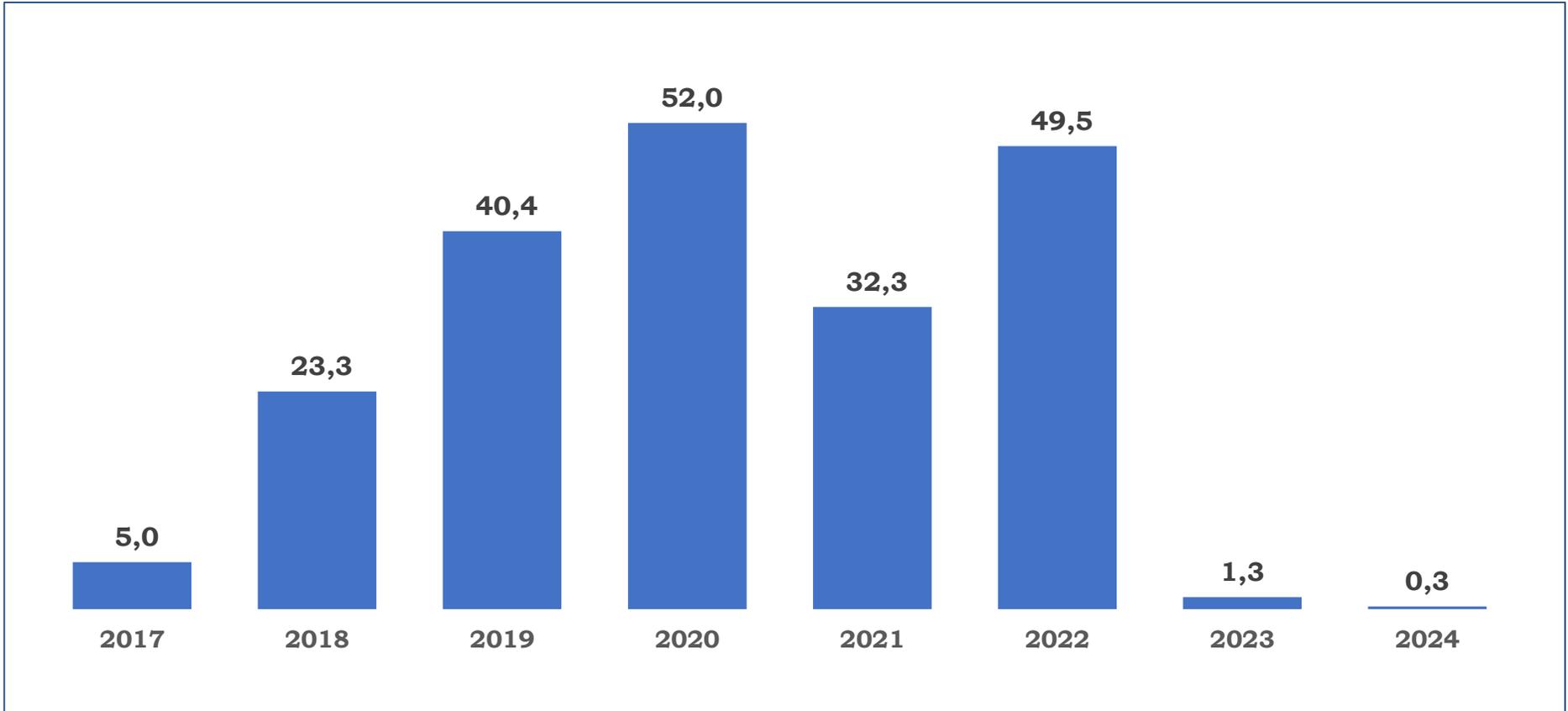
■ NFP increase by € 26,1M driven by FCF;

(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%

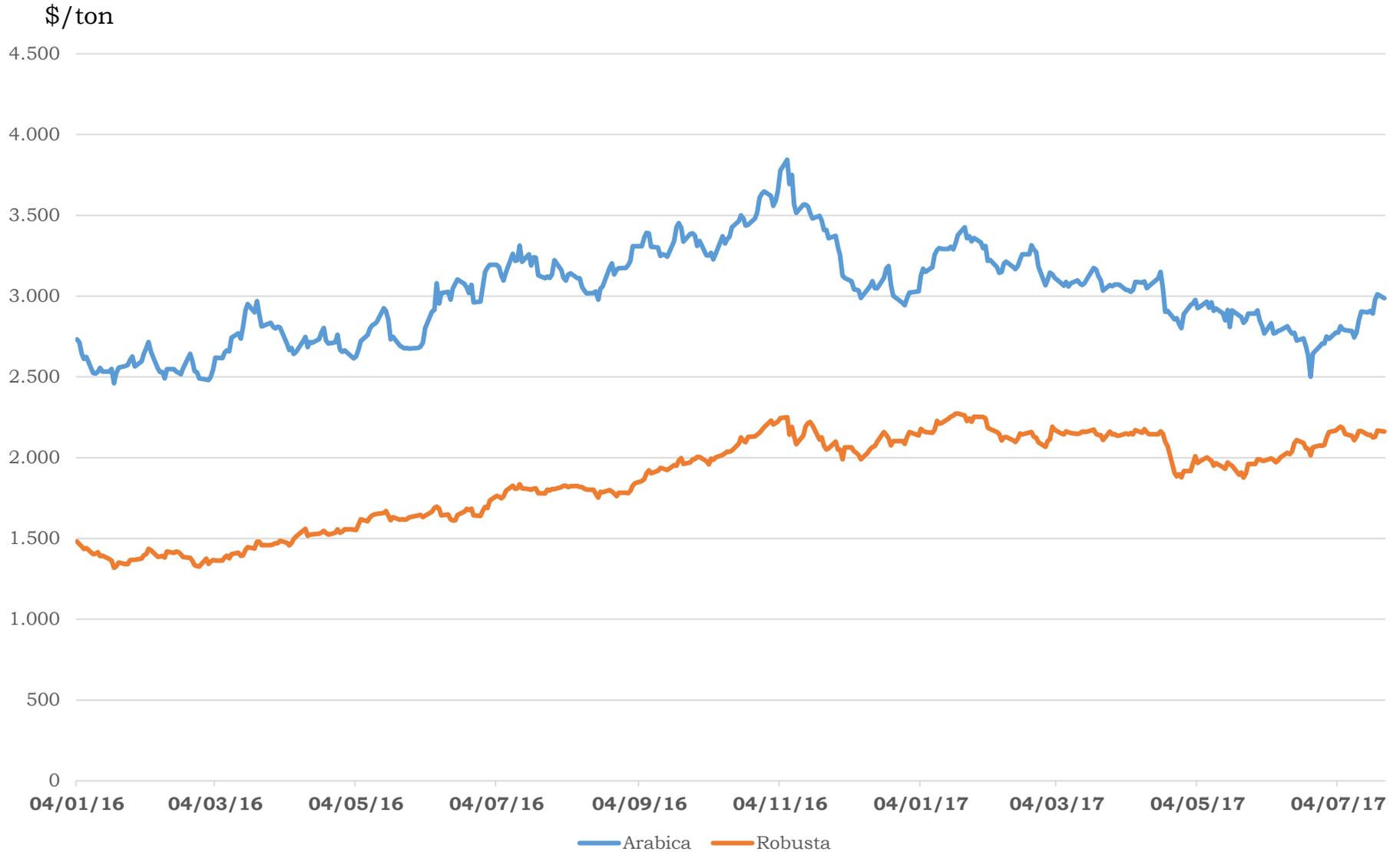
NET DEBT €< 210.0 M

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



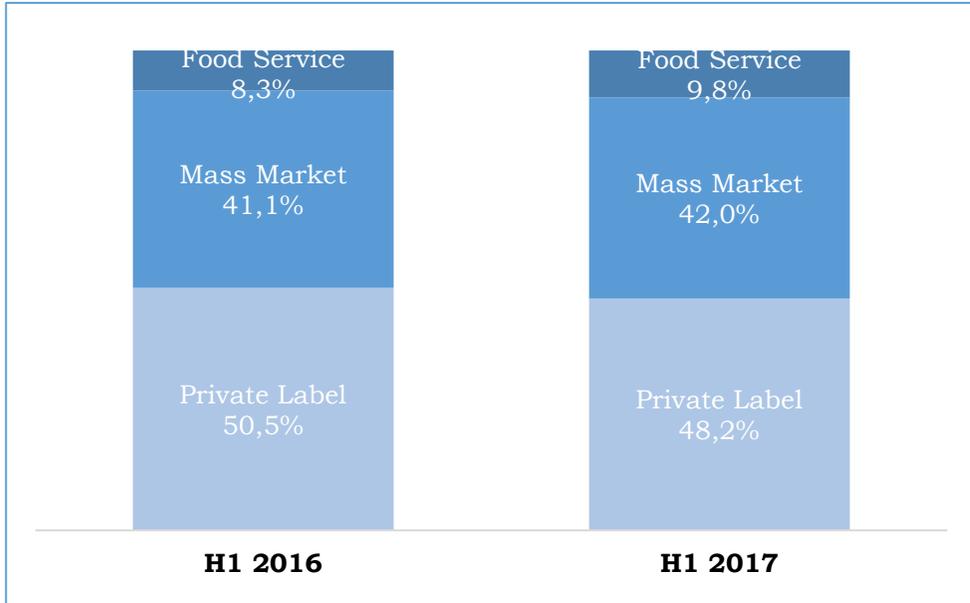
Appendix

Green Coffee Price

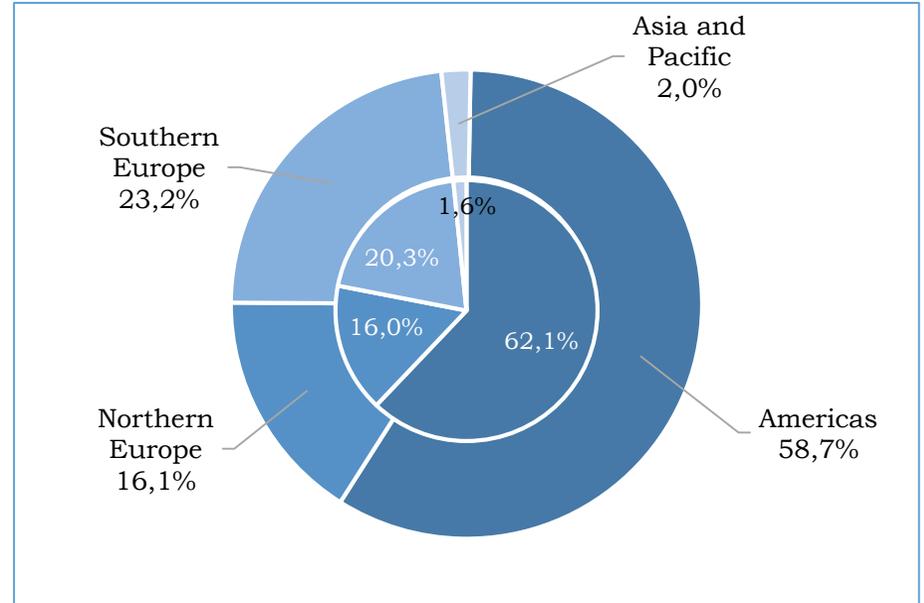


Volume Breakdown

By Channel (%)



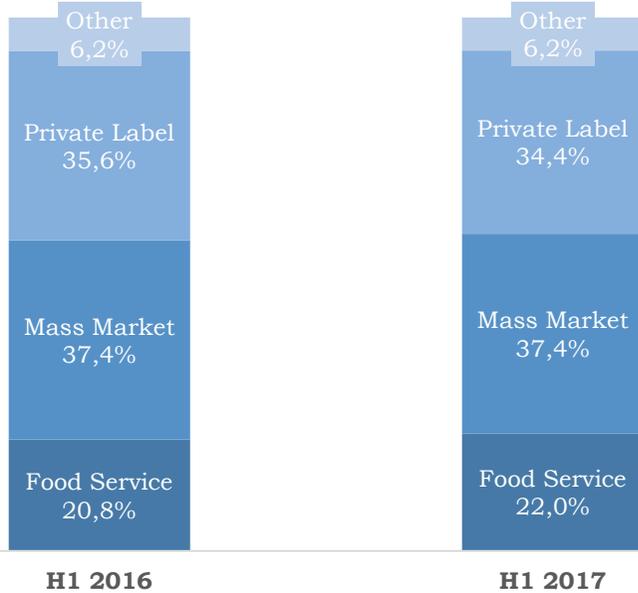
By geography (%)



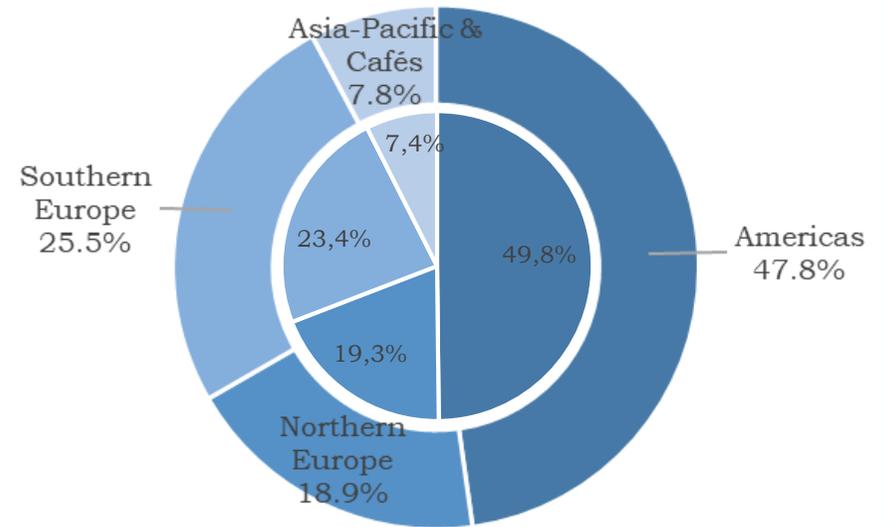
Internal pie: H1 2016 data
 External pie: H1 2017 data

Revenue Breakdown

By Channel (%)

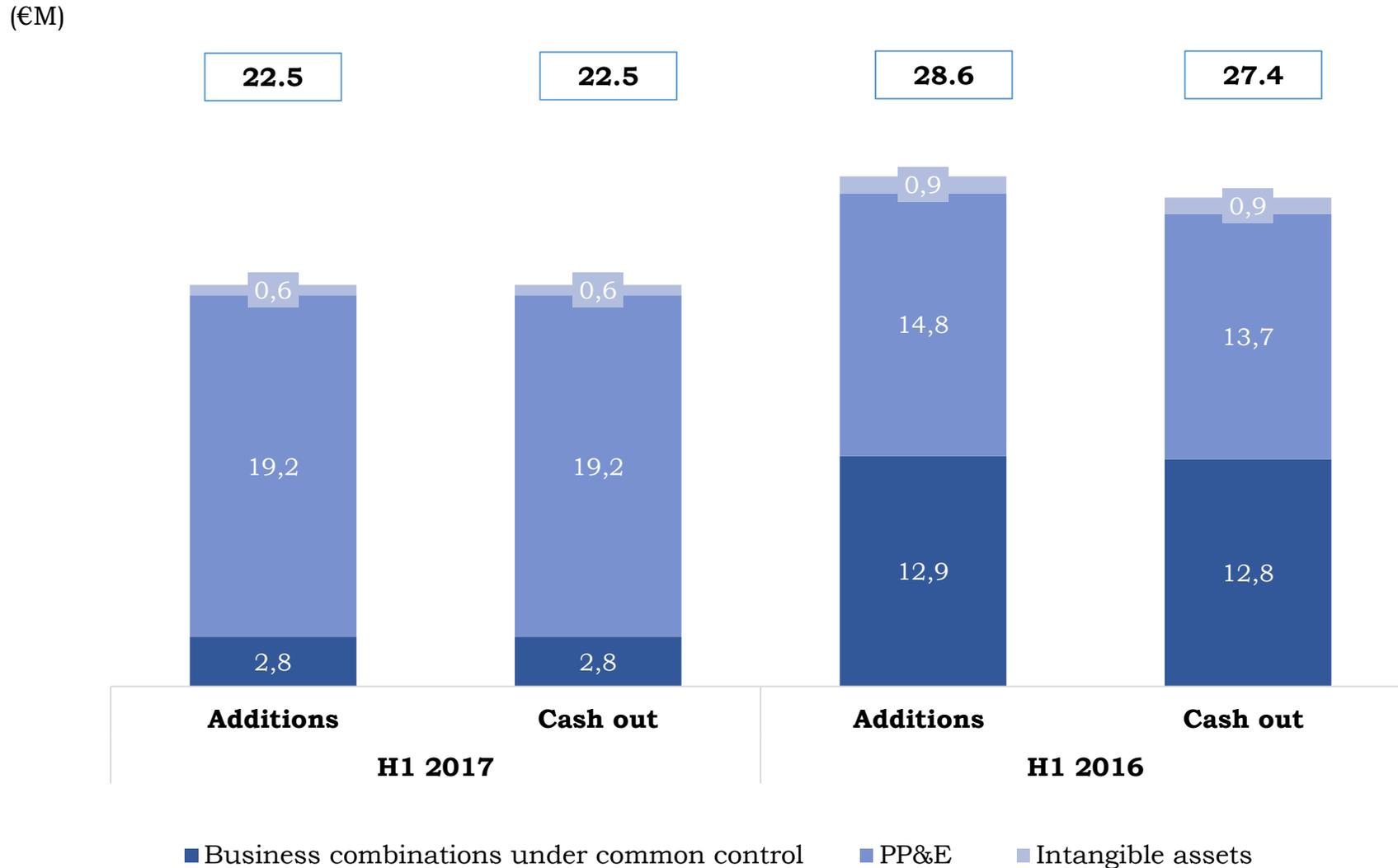


By geography (%)



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)
Operating profit	10,809	11,152
Finance income	151	130
Finance costs	(3,295)	(2,936)
Profit/(loss) on equity consolidated companies	(440)	(4)
Profit before tax	7,225	8,342
Income tax expense	(2,822)	(3,186)
Profit for the period	4,403	5,156
Profit attributable to:		
<i>Non-controlling interests</i>	107	112
<i>Owners of the parent</i>	4,296	5,044
Earnings per share basic / diluted (in Euro)	0.13	0.15

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
Total non-current assets	449.949	456.822
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
Total current assets	349.242	321.724
Total assets	799.191	778.546
Share capital	34.300	34.300
Other reserves	105.435	124.738
Retained earnings	152.803	149.057
Equity attributable to owners of the parent	292.538	308.095
Non-controlling interests	1.788	1.849
Total equity	294.326	309.944
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
Total non-current liabilities	261.763	237.748
Current borrowings	88.084	77.430
Trade payables	122.830	122.209
Income tax liabilities	540	644
Other current liabilities	31.648	30.571
Total current liabilities	243.102	230.854
Total liabilities	504.865	468.602
Total equity and liabilities	799.191	778.546

*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

	Six months ended June	
	30	
<i>(in thousands of euro)</i>	2017	2016
Profit before tax	7,225	8,342
Adjustements 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
Net cash generated from operating activities before changes in working capital	31,123	29,531
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)
Net cash generated (absorbed) from operating activities	(405)	54,992
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 join venture and associates	(840)	(10,139)
Increase in financial receivables	191	(187)
Interest received	60	92
Net cash used in investing activities	(21,648)	(27,232)
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)
Net cash generated (absorbed) from financing activities	33,176	(24,640)
Exchange gains/(losses) on cash and cash equivalents	(446)	(201)
Net increase in cash and cash equivalents	10,677	2,919
Cash and cash equivalents at the beginning of the year	45,167	25,574
Cash and cash equivalents at the end of the year	55,844	28,493

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 ⁽¹⁾	18,286	15,528
EBITDA⁽²⁾	29,095	26,680

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

Massimo Zanetti

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Q&A Session

