A big leap in sales volume and profit

The Barry Callebaut Group achieved another record year. The focus was on profitability which improved at a double-digit rate. A priority was the successful global integration of the cocoa business acquired in 2013 which boosted sales volume and already made a profit contribution in the first year. A lot of effort also went into structural investments, building the platforms that are necessary to successfully drive a larger and more global company.

How would you assess the performance of Barry Callebaut in fiscal year 2013/14?

Andreas Jacobs, Chairman (AJ) We achieved a convincing result with strong top- and bottom-line growth. Strategically, the global integration of the cocoa business acquired in 2013 was a clear priority for us. Our journey towards becoming one company started with 181 global milestones; one year later, only 19 remain open. We also managed to turn the operating loss of the acquired cocoa business into a profit. We have not lost any key people or key customers, and the identified synergies started materializing. Of course, we need to further improve the profitability of this business. But we are on track.

Juergen Steinemann, CEO (JBS) Our sales volume was boosted by the cocoa acquisition. But it was also well supported by our three growth drivers which are emerging markets, Gourmet and strategic partnerships, and reached 2.9% on a stand-alone basis against a global market growth of 2.3%[1]. Capacity constraints, primarily in Western Europe, somewhat restricted our full growth potential. Recent investments in production capacity will now allow for further growth. Our increased focus on margin improvements has resulted in strong EBIT and net profit growth. I am very satisfied with this performance and grateful to our team of over 9,300 dedicated people for their tremendous work.

AJ I would like to join Juergen and thank all our colleagues for their outstanding performance as well as our customers and shareholders for their continued trust.

1 Source: Nielsen, September 2013 – August 2014 (volume growth; chocolate confectionery market).

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Andreas Jacobs,
Chairman of the Board of Directors

"I am very satisfied with our performance and grateful to our team of over 9,300 dedicated people for their tremendous work".

Juergen Steinemann,
Chief Executive Officer

The acquisition of the cocoa business from Petra Foods has added more than 1,800 new colleagues and 7 factories on 4 continents. How are you managing this much larger and more global company?

JBS Indeed, our company has become more global with about one in two of our colleagues working in emerging markets, or a cocoa origin country, and serving a worldwide customer base. Hence, we are introducing more global standards across our businesses. In parallel, we have embarked on a number of global platform activities to strengthen our core. One example is project "Spring" which we implemented over the last three years in Western Europe with the aim of enhancing our leadership in customer service. Another example is "HR for Growth", a strategic project focused on attracting, developing and empowering talented people in our organization.

Do you see the need to adapt your corporate strategy?

AJ Our annual strategy review concluded that our four-pillar strategy based on Expansion, Innovation, Cost Leadership, and Sustainable Cocoa still fits us. Actually, if we sharpen our focus, it will serve as a platform for further growth. We have defined "ongoing initiatives", such as the continued push for growth in emerging markets, further strengthening our sustainability programs, or investing in our talent development programs. Beyond these, we came up with a number of "shaping initiatives" – strategic actions that are partly new and partly require a renewed effort, like differentiating our core products and services, growing in compounds and fillings or becoming the preferred cocoa products supplier.

Is outsourcing still one of your growth drivers?

JBS Absolutely, the trend is ongoing. We gained various long-term partnership agreements with regional leaders around the world, have expanded existing supply agreements, and see future opportunities, especially in emerging markets. Outsourcing strengthens our volume expansion. Gourmet, on the other hand, boosts our profitability. The emerging markets show far stronger growth rates in the consumption of chocolate and cocoa products than the developed markets. Our growth is based on the combination of these three main drivers.

Cocoa prices increased around 25% during the year. What is the impact of these price hikes?

JBS Good harvests in the two most important origin countries, Côte d'Ivoire and Ghana, turned the 2013/14 season into a slight surplus. Regardless, the bullish momentum prevailed. It has been fuelled by fears related to the outbreak of Ebola in some West-African countries bordering Côte d'Ivoire and Ghana, El Niño forecasts and a potential cocoa shortage by 2020, as well as financial speculation. As we pass on raw material prices to customers for the majority of our business in line with our cost-plus model, the impact on our profitability is limited. But the higher cocoa prices have inflated our net working capital.

Cocoa sustainability is firmly embedded in your corporate strategy. Can you see progress?

AJ We need to make cocoa farming sustainable, and we will. The first CHOCOVISION stakeholder conference initiated by us in 2012 has inspired the senior business leaders of the world's largest cocoa and chocolate companies to coordinate and align their cocoa sustainability efforts under the umbrella of the World Cocoa Foundation in order to increase their impact. This resulted in CocoaAction, a commitment by industry and cocoa producing country governments to work together towards a truly sustainable cocoa industry. I am personally very pleased that Barry Callebaut is a driving force behind CocoaAction, and I fully support our CEO in his new role as Vice Chairman of the World Cocoa Foundation.

JBS What we need is more impact. Our global sustainability team of nearly 60 people has just redesigned our own initiatives such as the Quality Partner Program, modeling them on the two main pillars of CocoaAction, the "productivity package" and the "community package". In alignment with CocoaAction, we will monitor and report on the impact achieved, so that we will meet our collective industry commitment to bring 300,000 farmers to a successful professional level. In addition, we will expand our own programs.

What is your outlook amid increased geopolitical risks and decreasing global economic forecasts?

JBS We are cautiously optimistic. Based on our proven strategy, the structural investments we have made and the global platforms we have built, we see many opportunities along our three growth drivers: The first outsourcing volumes from Chile and from other new or extended outsourcing agreements will come in. Gourmet remains a strong profit growth contributor. The emerging market growth story is intact. We will keep a strong focus on tight cost controls and margin improvements. And let's not forget our strongest assets – our people. Together, we are striving to continue to outperform the global chocolate market. All this gives us the confidence to confirm our mid-term guidance[1].

1 As of consolidation of the acquired cocoa business: 6–8% average volume growth per year, and EBIT per tonne restored to pre-acquisition level by 2015/16 (CHF 256 per tonne) – barring any major unforeseen events.