
Bell Food Group Results for first half of 2019

Financial analysts' presentation

14 August 2019 | Bell Food Group

Key facts at a glance.

Important events in first half of 2019

Results for first half of 2019

- Sharp increase in the cost of raw materials in Europe affected the result
- Restrained barbecue season sales because of unfavourable weather conditions in April and May
- One-off costs depressed the result

Further growth for poultry and convenience

- Further organic growth posted for poultry and the convenience segment
- Commissioning of new convenience plant in Marchtrenk/AT
- Commissioning of new air-dried ham facility in Fuensalida/ES

Organisational restructuring of Bell Germany

- Withdrawal from the German sausage market
- Future focus on strong position in the air-dried ham segment
- This lays foundation for improving the result

Key figures for first half of 2019

Sales revenue
in CHF million

2,023.0

+ 0.0 %

Sales volume
in million kg

266.7

+ 2.2 %

Operating income
in CHF million

1,985.7

+ 0.2 %

Sales revenue by main product groups

50 %	Fresh meat / charcuterie	48 %	Fresh meat / charcuterie
26 %	Convenience	27 %	Convenience
24 %	Poultry / seafood	25 %	Poultry / seafood
1 HY 2018		1 HY 2019	

Income statement for first half of 2019

	1 HY 2019 Reported figures	1 HY 2019 Adjusted figures	1 HY 2018 Reported figures
EBITDA	116.8	126.8	136.6
EBIT	11.0	46.0	55.2
Result	- 9.6	27.4	32.5
Important influences	Exceptional effects <ul style="list-style-type: none"> • Raw material prices • Additional costs for conversions/new buildings • Weak barbecue season Total effects > CHF 12 million	One-off costs <ul style="list-style-type: none"> • Sale of German sausage business • Effects of tax reform Total effects CHF 37 million	

Rising cost of raw materials in Europe

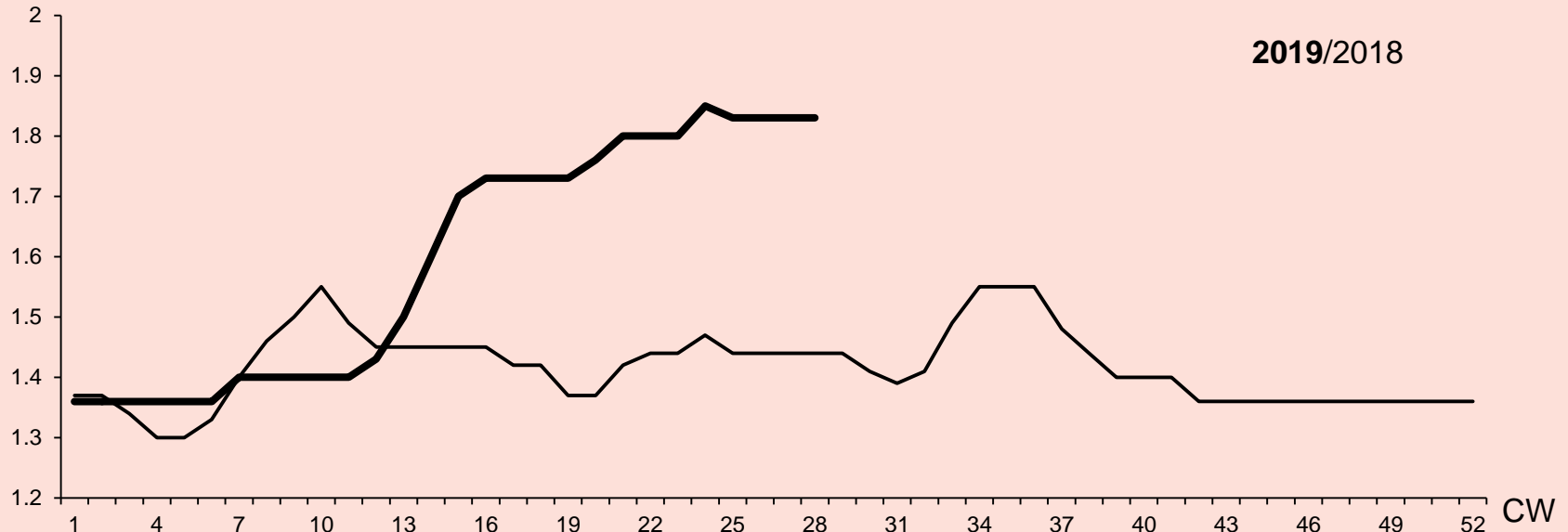
African swine fever

The outbreak of African swine fever in China resulted in higher exports from the EU and caused raw material prices for pork in Europe to rise by more than 30 %.

in EUR/kg

Development of sales prices for pork in Germany

2019/2018



Strategic directions of the Bell Food Group.

Systematic implementation of Group strategy

1

Strengthening
of the leading
position in the
traditional meat,
poultry and
charcuterie segment

2

Expansion of share
in the high-growth
and high-margin
convenience market

3

Substantial
strengthening of the
food services
channel

4

Expansion of
presence in Europe

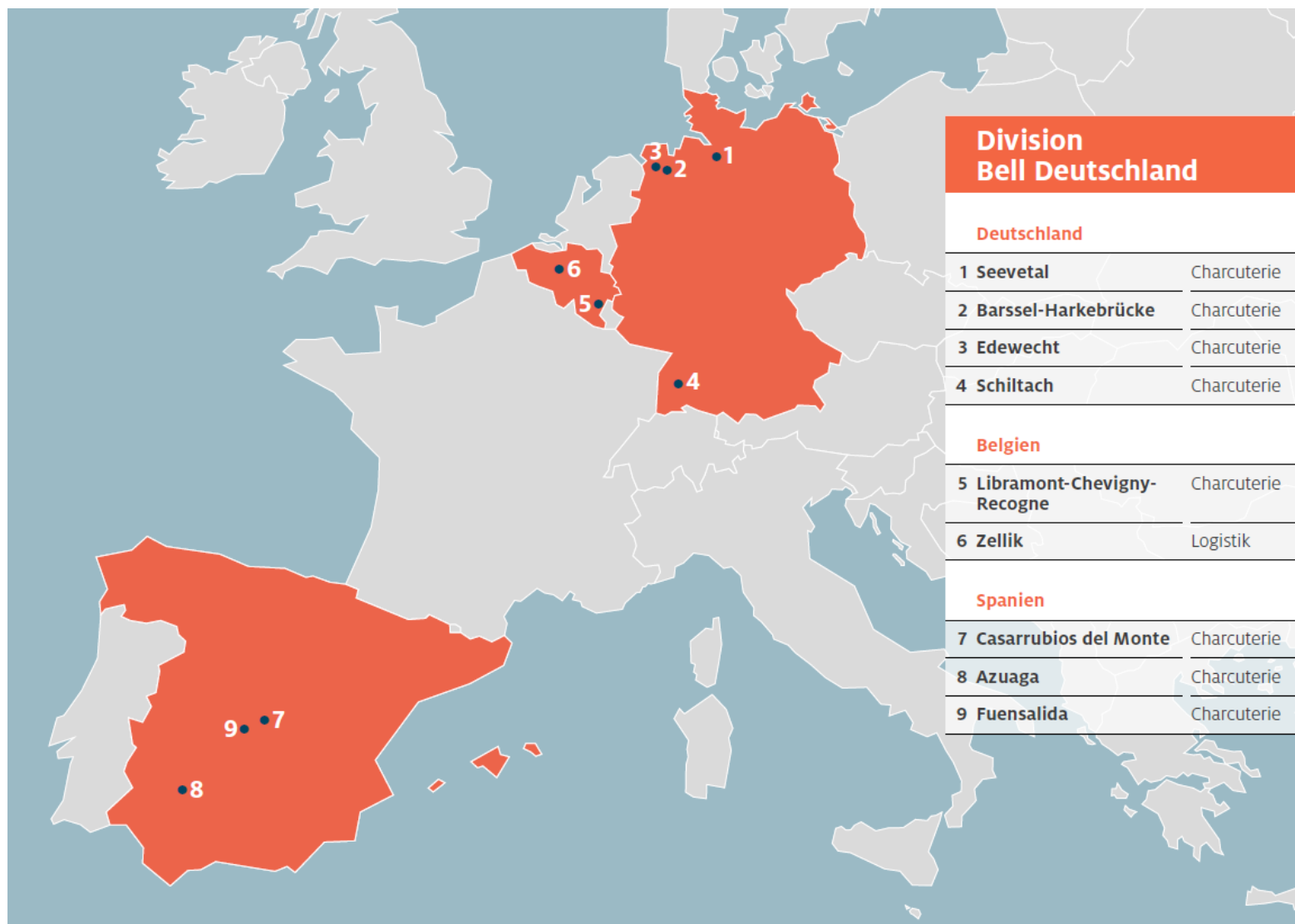


Strategic focus on air-dried ham in Germany

- Sale of the sausage business with plants in Börger and Suhl
- Perfect buyer found to take over the plants and all employees
- Restructuring of Bell Germany's overheads
- Conversion of the production facility in Bad Wünnenberg to produce fresh convenience products
- Strategic focus on strong position in the market for air-dried ham
- Positive development of the air-dried ham market in Germany (+1.8 % HY2019 compared to HY2018; source: IRI)



1 Leading position



Commissioning of new plant for Spanish Serrano ham

- New facility in Fuensalida commissioned on schedule; first deliveries in Q2/2020; full production capacity to be reached by end of 2019
- Investment of around EUR 40 million; production area 26,000 m² with 64 drying rooms; production capacity of one million hams per year; one of the biggest investment projects in the Spanish charcuterie market in the past years
- Increase in added value by insourcing previous external production volumes
- Together with existing plants in Casarrubios del Monte (Serrano) and Azuaga (Iberico), further exploitation of domestic and foreign growth markets for Spanish charcuterie



Commissioning of convenience plant in Marchtrenk

- Most modern convenience operation of its kind in Europe was commissioned; around half of production area by end of June 2019
- 24,000 m² of production area in the final expansion; four 6,000 m² halls with a total of 19 production lines; 250 new jobs for diverse qualifications
- Highest possible automation level and use of state-of-the-art equipment and robotics as well as our own hygienic design
- Second hall for salad and convenience products will come into operation in second half, and third hall for poultry convenience will open in 2020; production of low-margin meatballs using pork/beef will be discontinued



New concept for the Bad Wünnenberg plant

- Change in focus to fresh convenience planned; future focus on the production of fresh muesli, ready-made salads and ready-to-serve meals
- Exploitation of growth potential in the attractive and high-added-value segment
- First promising discussions with customers about listings
- In addition to investments in property, plant and equipment, conversion costs are expected to be CHF 8 million for the full financial year; CHF 2 million already spent in first half of 2019
- Production start and first deliveries scheduled for Q1/2020 (around 8 weeks' construction delay)

Integration of Hügli

- Additional sales revenue resulting from synergy effects to date slightly above own expectations; financial benefits from 2020
- Encouraging sales development for B2B and B2C markets



Meat alternatives

- Successful launch of the latest generation plant-based burger for the food service segment
- Marketed under "The Green Mountain" brand
- Possibility of opening up additional sales channels



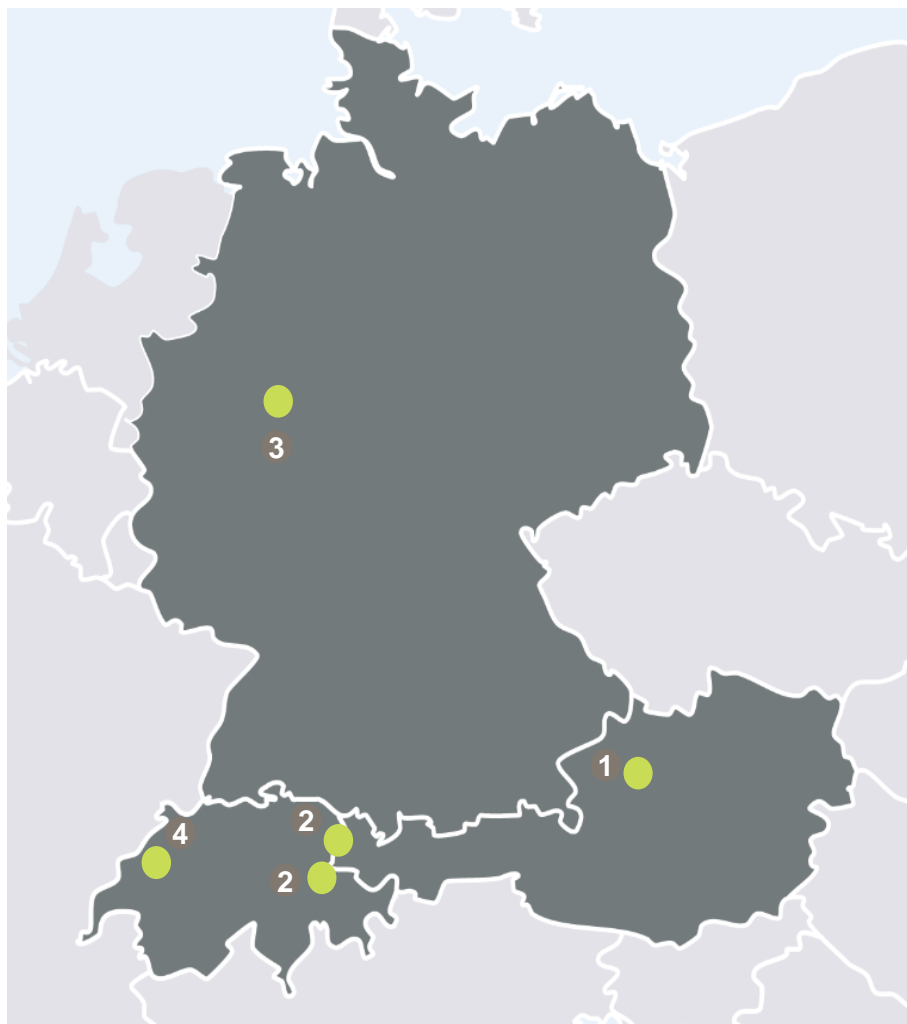
Smart cuisine

- **"Micropast"**
Patent for technology acquired;
production equipment ordered for the
Bad Wünnenberg facility
- **"Sous-vide"**
Two new lines for expansion of the range acquired;
additional possibilities for various customer segments



4 Expansion of presence in Europe

Expansion of Hilcona and Eisberg in DACH countries (CH/DE/AT)



- 1 Marchtrenk**
 - Fresh and ultra-fresh convenience
 - Poultry convenience products

Austrian and Southern German markets
- 2 Schaan/Landquart**
 - Fresh convenience products
 - Ready-to-serve meals
 - Vegetarian and vegan meals

Swiss and German markets
- 3 Bad Wünnenberg**
 - Fresh convenience products
 - Ready-to-serve meals

German market
- 4 Essert-sous-Champvent/Orbe**
 - Fresh and ultra-fresh convenience

Swiss market

Comments on the most important results.

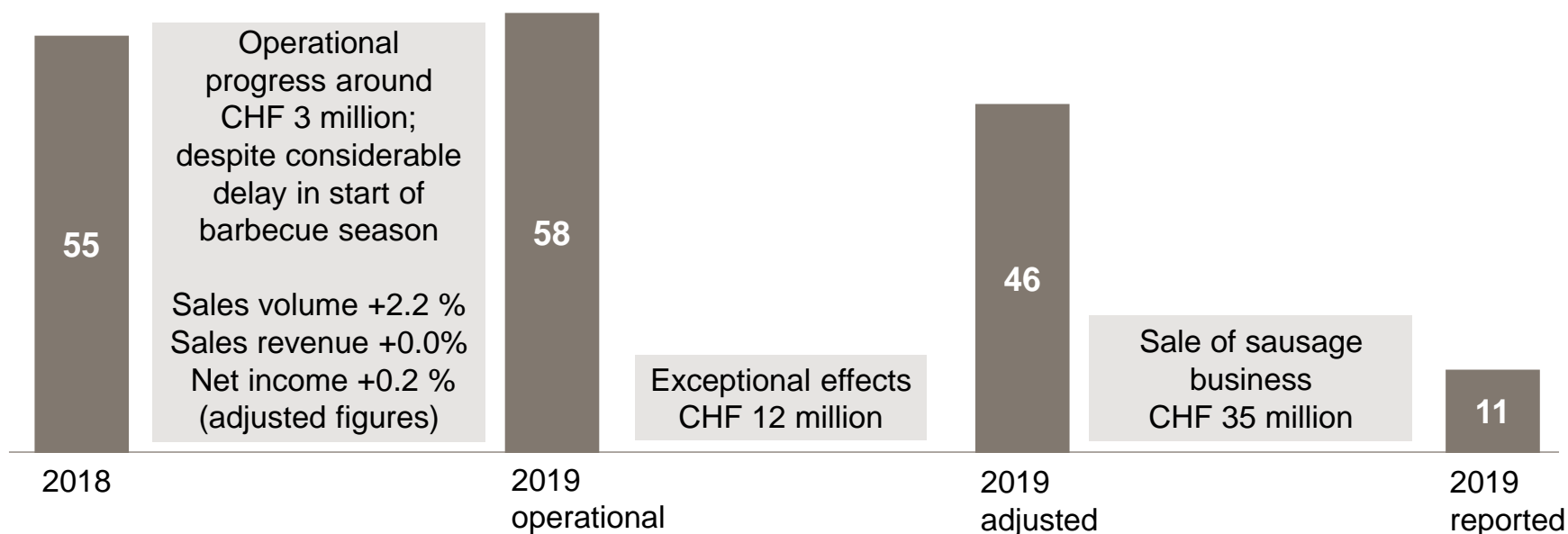
Key figures for first half of 2019

Sales revenue in CHF million	2019	2018
Sales revenue, reported	2,023.0	2,062.1
FX effect	-	-27.3
Effect of acquisitions/ restructuring	-	-12.4
Sales revenue, adjusted	2,023.0	2,022.4

Sales volume in million kg	2019	2018
Sales volume, reported	266.7	268.3
Effect of acquisitions/ restructuring	-	-7.2
Sales volume, adjusted	266.7	261.1

EBIT

in CHF million



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Exceptionals

	1st half	2nd half (estimate)
Raw materials EU	6	dependent on development of material prices and second price round
raw		
Conversion costs Bad Wünnenberg	2	6
Start-up costs Marchtrenk	3	-
Slaughter line Ampfing	1	-
EBIT	12	-
Other effects on result:		
Adjustment of deferred taxes	2	-
Weather-related revenue losses in first half		

in CHF million

Income statement for first half of 2019

	2019 reported	Sale sausage plants	Exceptional effects		2019 operational	2018	Δ
Net earnings	1'986	-	-		1,986	2,020	- 34 ¹
Gross profit	768	-	6		774	772	+ 3
%	38.7				39.0	38.2	
EBITDA	117	10	12		139	137	+ 2
%	5.9				7.0	6.8	
Depreciation	106	25	-		81	81	
EBIT	11	35	12		58	55	+ 3
%	0.6				2.9	2.7	

¹ Conversion Bad Wünnenberg, full-year consolidation Sylvain&CO, FX impacts and operational progress

in CHF million

Comments on the most important results

New focus for Bell Germany

Sale of sausage plants

Net earnings p.a. CHF - 85 million
Sales volume p.a. - 16 million kg
Employee - 400 FTE

Implemented as of 1/8/2019

Reduction of overheads due to new structure

Employees Number of
FTE open

In implementation

Air-dried ham

Clients notified of further price
increases in autumn 2019

In implementation

One-off effect half-year

EBITDA	CHF - 10 million
Value correction Non-current assets	CHF - 25 million
EBIT	CHF - 35 million



Future annual impact

Cash flow and EBIT around
+ CHF 10 million

Balance sheet and cash flow for first half of 2019

Cash and cash
equivalents
in CHF million

204.5

Share of total assets
7.6 %

Net financial
liabilities
in CHF million

696.9

Equity
in CHF million

1,241.5

Share of total assets
46.4 %

Net investments in
property, plant and
equipment
in CHF million

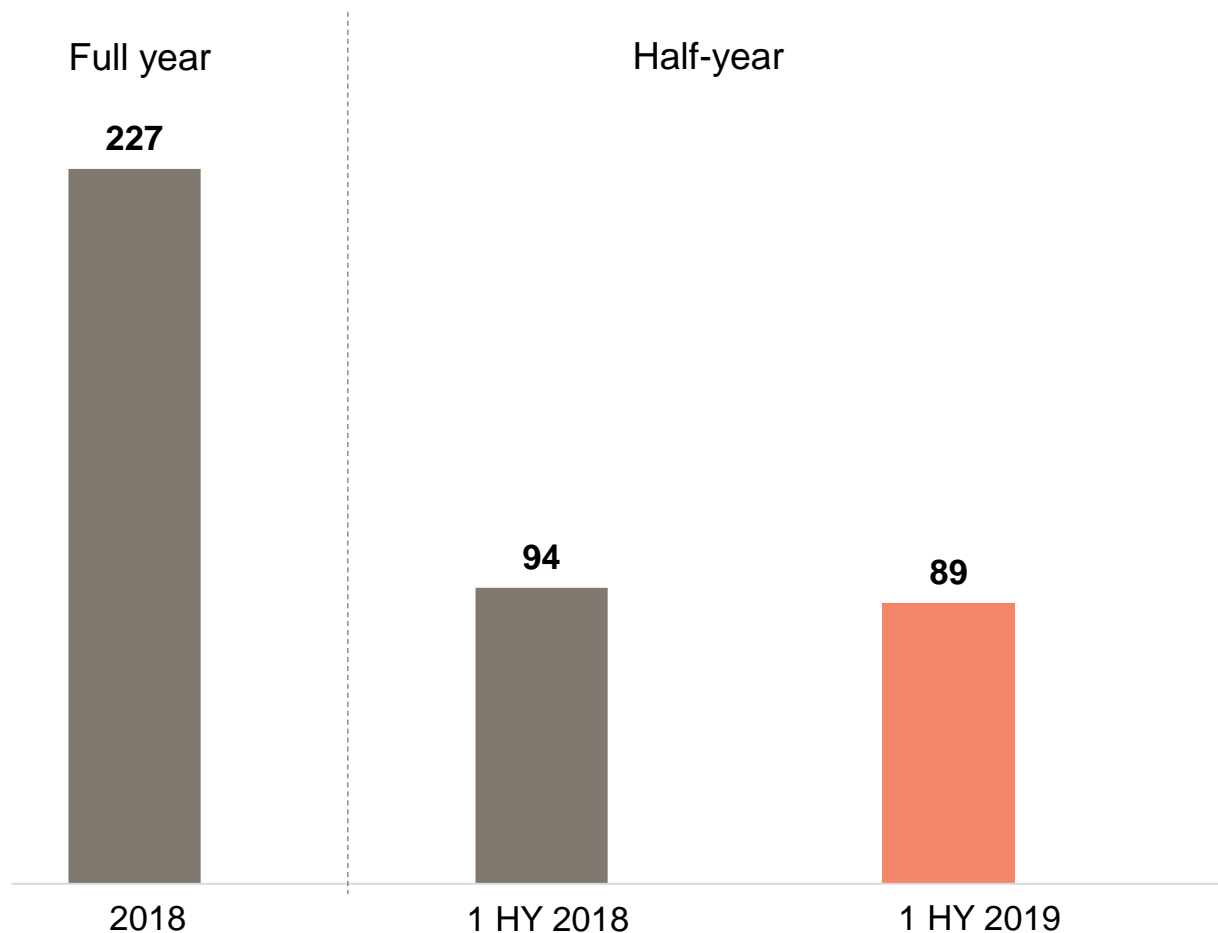
89.3

- 4.6 %

Operating
cash flow
in CHF million

94.0

Net investments in property, plant and equipment



- Total expected CAPEX 2019 around CHF 220 million
- Expected CAPEX from 2020 around CHF 250 million due to various construction projects

in CHF million

Segment details for first half of 2019.

Bell Switzerland division

Key facts

- Slight contraction in sales revenue due to declining sales to the retail channel and muted barbecue season because of bad weather
- Higher gross profit due to further increase in domestic meat production (notably poultry) and optimised mix of product ranges
- Measures implemented in 2018 and efficient cost management led to substantial improvement in result

Sales volume
in million kg

61.7

- 3.3 %

Sales revenue
in CHF million

982.0

- 1.4 %

Employees
FTE

3,468

- 3.6 %

Net investments
in property, plant and
equipment
in CHF million

16.3

- 26.6 %

Bell Germany division

Key facts

- Contraction in sales revenue due to the conversion of the Bad Wünnenberg plant (HY2018: CHF 27 million and 9.7 million kg) deliberate exclusion of low-margin products
- Overall contraction in retail market
- Exit from German sausage business with its plants in Börger and Suhl
- Focus on expanding position in top-quality German and international air-dried ham products
- Strengthening of air-dried ham expertise through new facility in Fuensalida/ES

Sales revenue
in CHF million

197.3
- 22,1 %

Sales volume
in million kg

25.9
- 30.6 %

Employees
FTE

1,379
+ 0.3 %

Net investments
in property, plant and
equipment
in CHF million

16.7
- 10.2 %

Key facts

- Increase in sales revenue (FX adjusted) and sales volume for all country organisations, Poland doing particularly well
- Much higher procurement costs due to the high raw material prices for pork
- Measures to improve the result of Hubers poultry business demonstrated effects
- One-off start-up costs for new slaughter line at Süttag (some CHF 1 million)
- Unfavourable weather conditions resulted in weak sales for the high-margin barbecue products

Sales revenue
in CHF million

329.0
+ 0,0 %

Sales volume
in million kg

83.5
+ 3.3 %

Employees
FTE

2,657
+ 6.9 %

Net investments
in property, plant and
equipment
in CHF million

13.1
=

Convenience

Key facts

- Rise in sales volume due to organic growth and the full-year consolidation of Sylvain & Co. (CHF 18.5 million)
- Start of the new Eisberg production facility in Marchtrenk/AT met expectations; additional start-up costs of around CHF 3 million
- Integration of Hügli meets ambitious expectations and synergy potential is consistently exploited

Sales revenue
in CHF million

548.9
+ 4.9 %

Sales volume
in million kg

99.4
+ 8.4 %

Employees
FTE

4,659
+ 5.4 %

Net investments
in property, plant and
equipment
in CHF million

43.2
+ 8.8 %

Outlook 2019.

Most important focal points

- Persistently high raw material prices expected; further efforts to pass on higher procurement prices to sales prices
- Smooth commissioning of additional halls at new production facility in Marchtrenk/AT
- Completion of conversion work at Bad Wünnenberg
- Closing of the sale of the German sausage business and completion of restructuring of Bell Germany's overheads
- Operational progress for all business areas



Questions & answers.

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