

Barry Callebaut AG

Swiss convictions Bern

Recommended since 06.11.2020

25.05.2022



Country CH	Market capitalization (bn) CHF 11.8	Perf. since reco. (%)
Sector Food & Beverage	Free float 64.1%	Barry Callebaut AG 10.4
Factset BARN-CH	Closing price CHF 2154.00	Market 8.8
ISIN CH0009002962	ESG Risk score* 14.2 Low risk	

Profile
Barry Callebaut AG manufactures and trades cocoa, chocolate and confectionery products. It distributes its products under the following brands: Barry Callebaut, Callebaut, Cacao Barry, Carma, Van Leer, Van Houten, Bendsorp, Delfi, Chadler, Caprimo, Le Royal and Ögonblink. The company was founded by Klaus Johann Jacobs on 13 December 1994 and has its headquarters in Zurich (Switzerland).

Strengths/opportunities

- Barry Callebaut is the world's leading manufacturer of high-quality chocolate and cocoa products with a high degree of innovativeness.
- Barry has a strong emerging market set-up/footprint, helping consumer companies to expand in new regions.

Weaknesses/threats

- Any indication that Jacobs Holding, which owns 40% of the company, will sell more stock after its sale of a 10% stake.
- Exit of management.
- Exposure to cocoa prices.

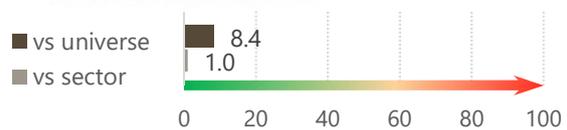
Investment case

- Barry holds a dominant market position and should be capable of hitting its targeted volume growth of 5-7% over the next few years through innovation and cost discipline.
- General industry outsourcing of cocoa products should continue in the medium term. Barry has proved itself to be a reliable partner, which should boost the prospects of accelerating outsourcing.
- The volume slowdown caused by the coronavirus crisis, especially in the high-margin Gourmet & Specialities division, is a temporary effect.
- Barry Callebaut's remains a solid case with a guidance for 21e-23e of average annual volume growth of 5-7% (previously: +4-6%), with EBIT to outpace that rate at constant currencies.

Valuation

Barry Callebaut's valuation premium to chocolate producers seems still reasonable due to returns that are 10-15% above peers. Barry remains a single-digit-high Net Working Capital industrial-focused supplier with a stable and resilient growth outlook.

ESG risk vs. universe & sector (percentile)*



CHF	08/2021	08/2022e	08/2023e
Sales revenue (bn)	7'208	8'146	8'739
Sales growth	4.6%	13.0%	7.3%
EBIT adjusted (bn)	581	630	694
% of sales	8.1%	7.7%	7.9%
Net income (bn)	384	431	482
Net income growth	21.5%	12.3%	11.8%
FCF/Sales	6.6%	3.0%	4.1%
Net debt/Ebitda	1.6x	1.2x	0.9x
Dividend yield	1.3%	1.5%	1.6%
PE	33.3x	27.4x	24.4x
P/BV	5.0x	4.0x	3.6x

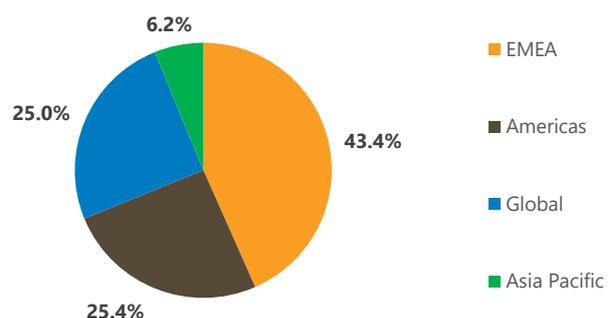
ESG - risks and key points

- The company is at low risk of experiencing any major financial impact from ESG factors on account of its medium exposure and strong management of key ESG issues.
- Barry's ambition is to lift more than 500k cocoa farmers out of poverty, eradicate child labour from its supply chain and make its products fully sustainable by 2025.
- The company publishes an annual progress report as well as a GRI Standards report.

5-year performance vs SPI



Sales breakdown - 08/2021



*: see overleaf

Source: Factset, Sustainalytics

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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