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Ditsch

INVESTORS’ EVENT IN ORANIENBAUM (DE)

10th November, 2016

Agenda

- **Introduction**
  - Valora
  - Food Service
- **Facility**
- **Q&A**

Focused retailer with two major pillars

Valora's present

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2 Value chain ownership | vertical integration

Valora's present

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DITSCH PRODUCTION AND DISTRIBUTION

- > Pretzel niche leader
- > ~600 million pieces p.a.
- > Worldwide distribution
- > 90% B2B

USP

MARGIN

OWN BRANDS AND RETAIL SERVICES

- > Unique service offerings
- > Well established brands
- > 40m ok.- cans
- > Strong service growth

Main initiatives with tangible targets and progress YTD (Q3 2016)

2016 and beyond

valora

FOOD

➢ COFFEE MODULES: AT ~800 POS	➢ 43% of rollout in Switzerland completed (85 POS with Starbucks and >230 POS with Spettacolo modules); rollout in Germany just started
➢ DITSCH: EXPANSION OF PRODUCTION	➢ Preparation work done, in progress for H2 2016 | H1 2017
➢ OK.- ENERGY DRINKS IN DE (>10 M CANS)	➢ 4.5 million cans sold YTD, successful sponsoring/promotion

NETWORK

➢ BREZELKÖNIG INTERNATIONAL: ~ 100 POS	➢ 6 POS running, 1st high-frequency outlet in Graz (Austria), operating and franchise model defined, focus on franchise
➢ GERMANY RETAIL: ~ 50 NET NEW STORES (BY 2018)	➢ Net -26 but increased number of Valora and franchise POS by +107, while reducing lower-value partner segment (-133)
➢ DITSCH/BREZELKÖNIG: ~ 50 NEW OUTLETS IN CH/DE (BY 2018)	➢ YTD: targeted 20 openings for 2016 realized (net 10 POS)
➢ NAVILLE STORE REBRANDING/INTEGRATION	➢ First Naville stores rebranded (goal: completion by 2017)

Main initiatives with tangible targets and progress YTD (Q3 2016)

2016 and beyond

SERVICES

Initiative	Progress
➢ LOYALTY APP IN ALL FORMATS (END 2018)	➢ Caffé Spettacolo App established; Brezelkönig: Testing catering in Basel from October; Zurich planned for H2 2017
➢ DEVELOP PROFITABLE CONSUMER FINANCE BUSINESS	➢ bob Finance: positive Life Time Value (LTV*) since Q2 2016

ORGANISATION

Initiative	Progress
➢ EFFICIENCY PROGRAM OF CHF 15-20 MILLION	➢ ~ 2/3 cost reduction realized on a full-year 2016 basis, Naville and reorganisation effects already almost fully implemented
➢ ENHANCED SOURCING, PROMOTIONS AND CATEGORY MANAGEMENT	➢ Naville with significant impact, positive promotion effects in CH | margin increases in Retail by +0.7 percentage points

* LTV – Life Time Value: projected revenues from issued credits during a certain period versus actual operating costs in the same period

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Strong food service concept base with iconic brands

Food Service – Key metrics

	Ditsch	BREZELKÖNIG	BREZEL KÖNIG	SPETTACOLO
POS (#) as per Q3 2016	**216**	**52**	**6**	**36**
Key initiatives 2017	• Further expansion of network in Germany to ~230 stores (by end of 2017) • Expansion of production capacity	• Expansion of network to ~60 stores in Switzer-land (by end of 2017) • Meet customer needs with further product innovations and marketing campaigns • Digital innovations: web-shop implemented	• Concept and operational adjustments implemented • Focus on franchising • Focus on nearby markets (AT, FRA, NL, BEL) • Targeted 100 franchise POS over the next 3-4 years	• Strengthen brand awareness and B2B sales channel (coffee beans) by integrating coffee modules in kiosk & convenience POS in Switzerland and Germany by H1 2017 • Successful introduction of mobile app (pre-order and online payment)

Financial year 2015 for Food Service Division:

Revenues: CHF 242m

Gross profit margin: 76.4%

EBIT margin: 10.4%

Financial year H1 2016 for Food Service Division:

Revenues: H1 2015/2016: +7.7%

EBIT: H1 2015/2016: +3.7%

Ditsch – History with long tradition and strong brand

1919
Entry in the Mainz commercial register

1972
First mobile pretzel stand at Mainz central railway station

1987/88
Ditsch assumes use of freezing technology: complete product range also available frozen

1995
Opening of the 100th store

1998/99
Start of operation of a second produc-tion site (Oranien-baum) and of trade business B2B

2000
Acquisition of Brezelkönig in Switzerland

2004/07
First IFS/BRC certification

2012
Peter Ditsch hands the company over to Valora

2012-YTD
Valora ownership
- Increase number of POS from 195 to 216
- Strong increase of B2B

Brezelkönig – History with strong brand

5 locations
Manor & Globus

Profile concept and opening of ~ 30 locations
SBB, malls und city locations

Sustained growth

Valora ownership

1995	2000	2001	2003	2012	2012-YTD
Foundation of Brezelkönig by Stephan Bosshard	Takeover by Brezelbäckerei Ditsch	**Bern** Opening Start SBB	**Luzern** Opening	Takeover of Brezelkönig & Ditsch by Valora	• Increase number of POS from 35 to 52 • Extension of logistic hub Emmenbrücke

Highly focused business model of Ditsch / Brezelkönig

Production sites

2x 1x

Logistics

outsourced

insourced (main parts)

1 B2C

Retail sales channel

BREZELKÖNIG

BREZEL KÖNIG

 # POS ~274

BBD/BKS: Agency model

BKI: Franchise planned

2 B2B

Wholesale channel

world wide distribution

Core-Markets: DE, CH, AT

Export-Markets: ~15 countries (e.g. USA, Japan)

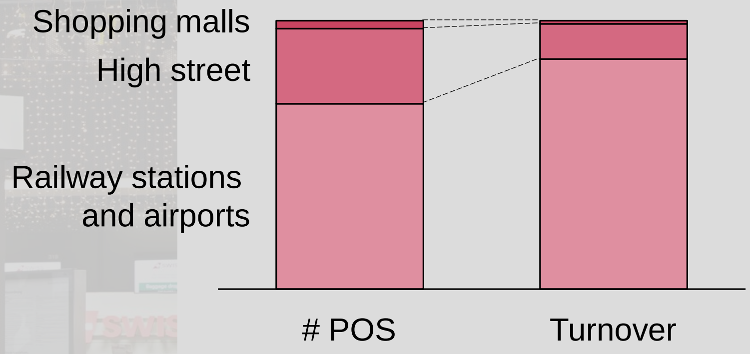
Leading pretzel producer

- 11 production lines in Germany, 1 in Switzerland
- Production volume of ~600 million units
- Highly efficient and automated production using "pre-proofed frozen dough" and "frozen fully baked" method

B2C: Facts Brezelkönig (Switzerland)

High density at public locations (railway stations and airports)

BREZELKÖNIG

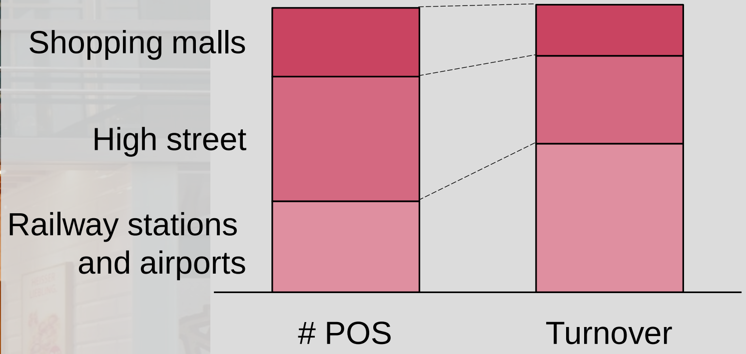


- POS: #52 (Q3 2016)
- Transaction time: ~30 sec.
- Up to 280 transactions per hour
- Small retail space: ~15m^2
- Continuous bake-off on site
- Average turnover / unit: ~CHF 1.0m p.a.
- SSS*-Index Q3 2016: 102.5%

*SSS = Same-Store-Sales

B2C: Facts Ditsch

High frequency locations are our core



- POS: #216 (Q3 2016)
- Transaction time: ~35 sec.
- Up to 260 transactions per hour
- Small retail space: ~15m^2
- Continuous bake-off on site
- Warm snacks as key category
- Average turnover / unit: ~EUR 0.32m p.a.
- SSS*-Index Q3 2016: 100.8%

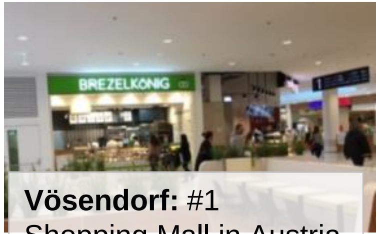
*SSS = Same-Store-Sales

1 Expansion Brezelkönig International

B2C

Austria (Vienna)

Donau Zentrum 2015: #2 Shopping Mall in Austria (since May 2015)



Vösendorf: #1 Shopping Mall in Austria (since October 2015)

Meidling: Passage to #2 Railway station in Vienna (since Dec. 2015)

Graz: Main railway station (since July 2016)

France (Paris)

Italie Deux
Among top ten of the malls in Paris
(since December 2015)

O'Parinor
Among top ten of the malls in Paris
(since December 2015)

H1 2017

High frequency location in Paris
SNCF
(opening in H1 2017)

1 Expansion Brezelkönig International

B2C

Focus on 2 core markets

Proof of concept

- First results are promising, however turnover with further room for improvement
  - Improve assortment to customer needs (include warm snacks)
  - Adjust prices to market level and competition situation
  - Improve store layout for favorable atmosphere (light, etc.)
- Franchise concept is most successful on public high-frequency locations (less in malls and city locations)
- Single-product shops are attractive for customers and landlords

Key success factors

- Pretzel category is a (growing) niche
- Profit contribution for partners (incentive for expansion) and franchisee satisfaction
- Frozen goods logistics (costs and quality)

Start franchise logic (3 alternatives)

Joint Ventures

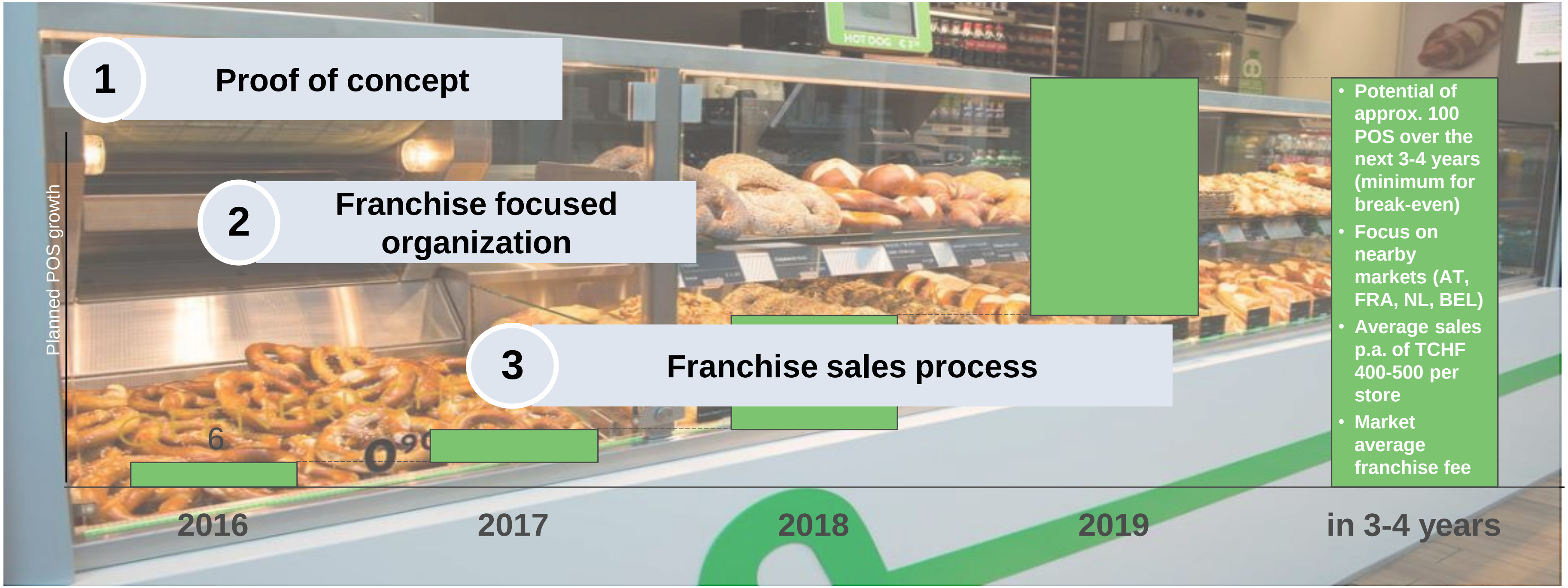
Potential Institutionals

Potential Single / Multi- Operator (Focus QSR)

1 Expansion Brezelkönig International

B2C

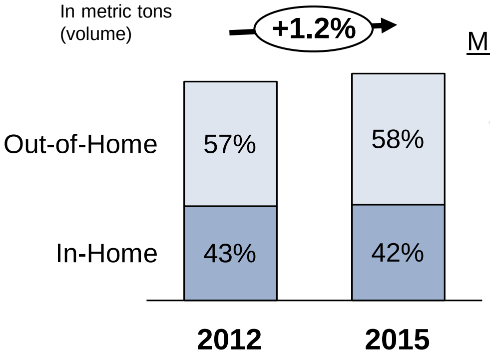
Focus on 2 core markets → **Start franchise logic**



Pretzel market Germany

Still high market potential in Germany based on local footprint of Ditsch

Pretzel market Germany



Source: NPD, GFK

Market outlook:

Out-of-Home market

- Buying products at bakeries, restaurants, hotels, and consumption of products on-the-go and at work
- Market outlook: Growing market with strong and broad customer base

In-Home market

- Buying products at food retailers, discount and instore bakeries and consumption at home
- Market outlook: Stagnant market with price competition at food retailers and discount channels

Pretzel market as a niche:

- c. 3% market share of pretzel products of total bread and bakery market (bread, sandwich, convenience, burger, pastry, etc.) and c. 5% market share without classical bread
- Average consumption of pretzel products per person / year: c. 2kg

Outlook for Ditsch

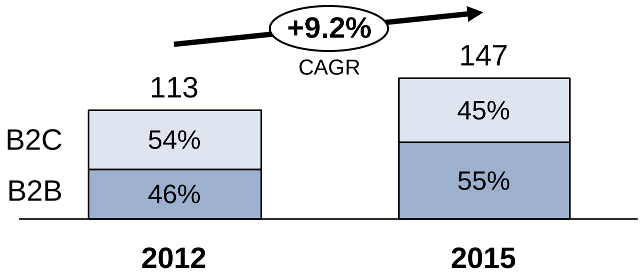
- Strong demand of broad and diversified customer base (especially Out-of-Home market)
- Leading position in the German pretzel market with above average market growth (1.2% market growth vs. 9.2% growth of Ditsch; CAGR from 2012-2015)
- Broadly based trade channel: bakeries, discounters, food retails and own stores
- Regions with backlog demand in Germany, located in Ditsch's core sales channel
- Innovative products, clear focus, proximity to market and customers, quality of delivery and products and high profile in the market as key competences of Ditsch

2 Strong development of B2B sales channel

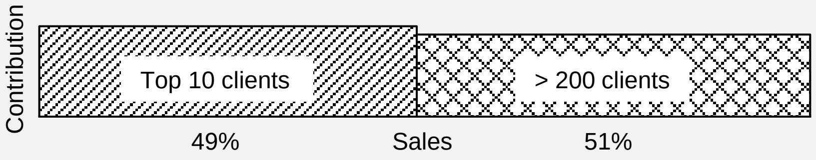
Category leadership pretzel

B2B – Strong outperformance

Net revenues, Brezelbäckerei Ditsch (**B2C & B2B**)
(in EUR million)

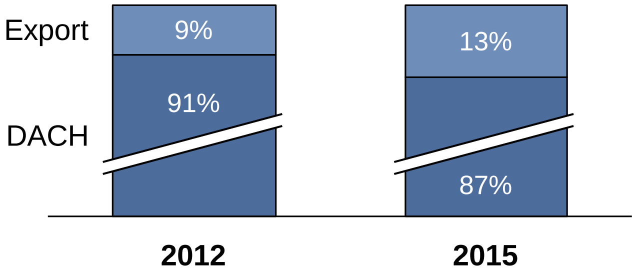


- Well balanced B2B client portfolio: top 10 clients contribute 49% to sales with the remaining >200 51% to sales



International markets

Net revenues split by geographies, Brezelbäckerei Ditsch (**B2B**)



DACH (DE, AT, CH)

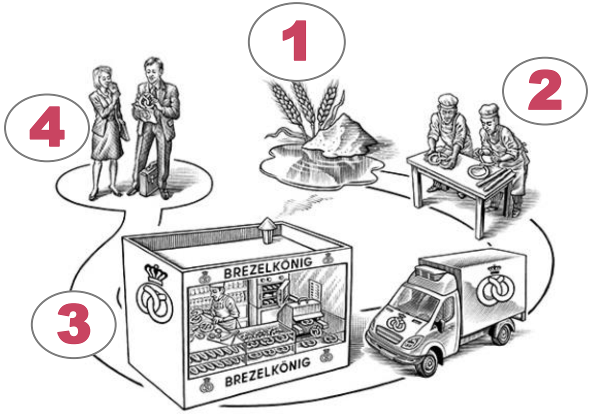
- Further growth through strategic partners in home markets
- New products in existing assortment and penetration of new segments
- 12 own sales personnel

Export

- Pretzel products as worldwide food trend
- Expand market leadership
- Collaboration with selective distributor network

Macro trends & influence factors

Integrated value chain

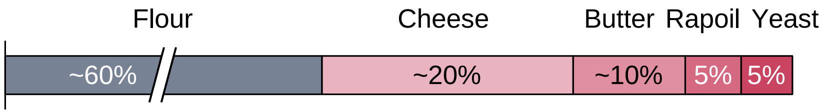


4 Consumption trends

- **Focus on healthier product offerings**: Growing health consciousness has spurred the demand for new product offerings: low-fat, low-calorie, high-fiber products
- **Convenience**: Consumers also want to consume their favorite snacks at home; capitalize on this with ready-to-bake pretzel mixes

1 Key raw materials

Split of value of top 5 raw materials / ingredients



- Dependency on market costs (fluctuations) for product ingredients (especially flour and milk-based products)
- No general hedging, but fixing of prices and quantities via contracting

2 Labour

- Tight labour market for skilled employees
- Increase of collective agreement wages (by trade union)
- Increase of minimum wages (by law)

3 Competition / Challenges

- Increasing competition on high-frequency location
- Monopolized landlords with negotiation power (poss. rent increase)
- Increasing internationalization of large B2B clients

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Highly specialized and automated in 3 production plants (12 lines)

Details on production plants

Oranienbaum, DE

Mainz, DE

Emmenbrücke, CH

Production facilities	Size	No. of lines	pre-proofed dough (FTO)	Fully baked
Oranienbaum, DE Ditsch In operation since 1999	▪ Site area: c. 40'000m² ▪ Production area: c. 10'000m²	**8**	✓	✓
Mainz, DE Ditsch In operation since 1990	▪ Site area: c. 10'000m² ▪ Production area: c. 2'500m²	**3**	✓	
Emmenbrücke, CH BREZELKÖNIG In operation since 2000	▪ Site area: c. 7'000m² ▪ Production area: c. 500m²	**1**	✓	

Source picture: Google maps

Qualifications

IFS International Featured Standards
since 2005
(«Higher Level»)

BRC FOOD CERTIFICATED
since 2007
(«Grade Level A»)

CERTIFIED SUSTAINABLE PALM OIL RSPO – CERTIFIED Contains certified sustainable palm oil. www.rspo.org
From 2016

BIO nach EG-Öko-Verordnung
Since 2007-2010
(renewal of certification possible at anytime)

Since 2010
Golden DLG Award
(«Price for the Best»)

Two basic production technologies

Pre-proofed frozen dough vs. fully baked

~80%

Pre-proofed frozen dough

+ Consistent top product quality
+ Superb freshness thanks to <u>on-site baking</u>
+ Simple handling – standardized process
- Requires skilled personal at the shop
- Short shelf life / logistics more challenging

→ Ditsch / Brezelkönig POS

~20%

Fully baked

+ Easiest handling / highest convenience
+ No oven required
+ Logistics „simpler“ (not as sensitive to temperature)
+ Longer shelf life
- Higher costs than pre-proofed

→ Mainly export

Focus Oranienbaum

Since 1999

1999 – 2003 – 2004 – 2009 – 2010 – 2016 – 2017 – ?

First Building
- Building for 4 lines
- First 2 lines in place

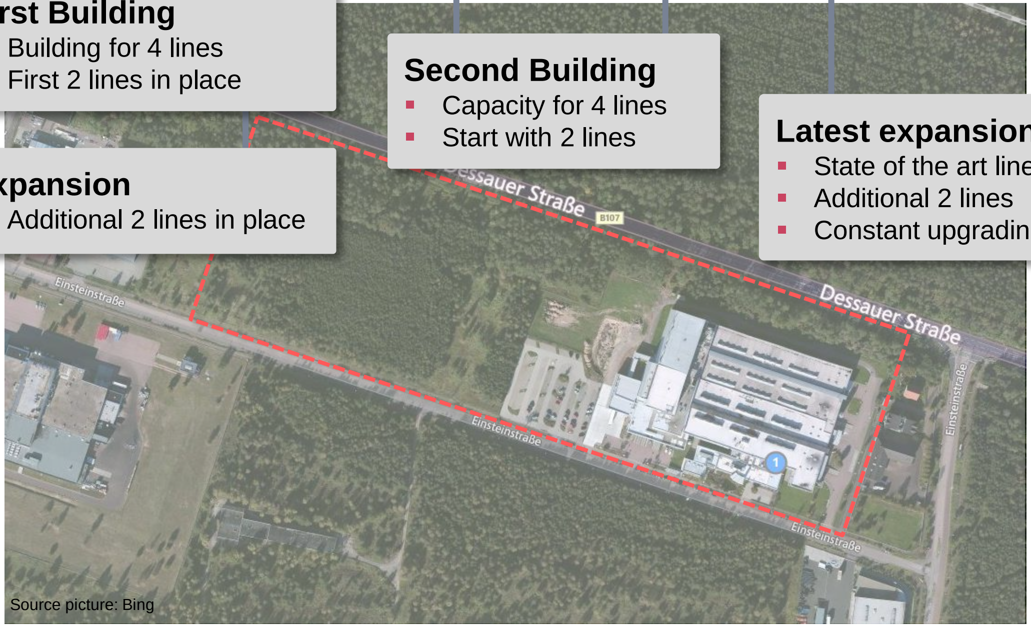
Expansion
- Additional 2 lines in place

Second Building
- Capacity for 4 lines
- Start with 2 lines

Latest expansion and optimizations
- State of the art lines
- Additional 2 lines
- Constant upgrading and further optimizations of lines

New capacity / line
- Replacement of one existing line (going live 2017)

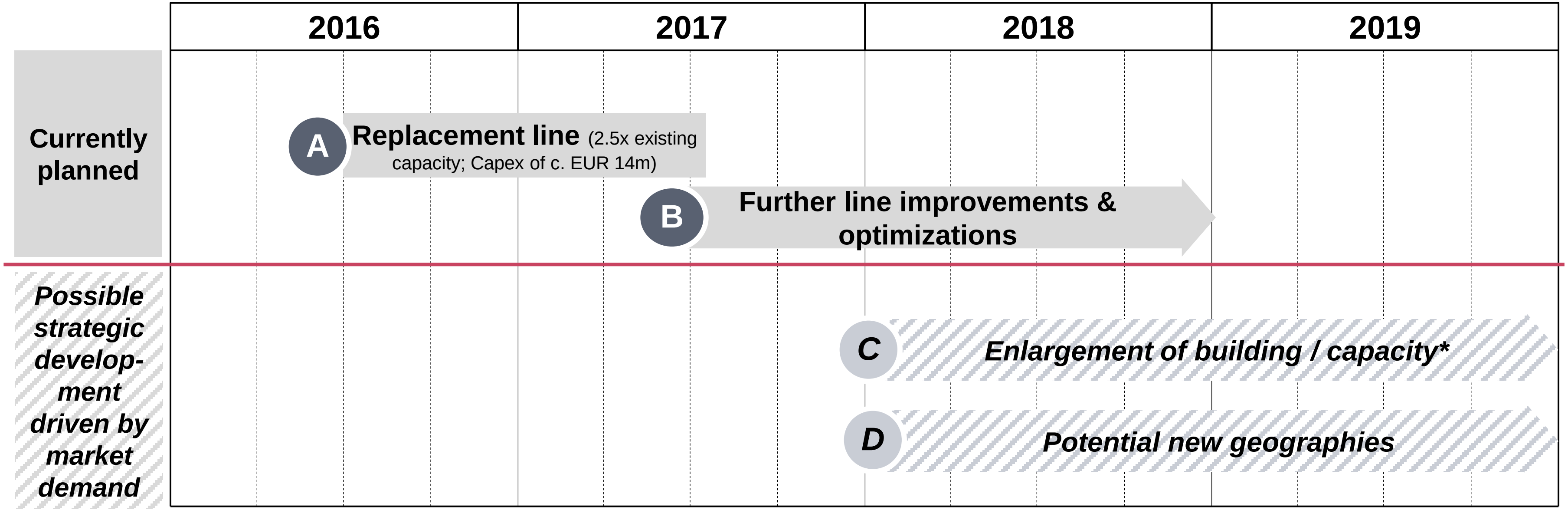
Possible enlargement



Source picture: Bing

Continued investments into capacities

Line replacement planned in 2017



*1st module (for two lines): building (for two lines) & 1 production line (Capex indication: EUR 25m; highly depending on line configuration)

We will continuously invest into line improvements and extensions in order to match market demand

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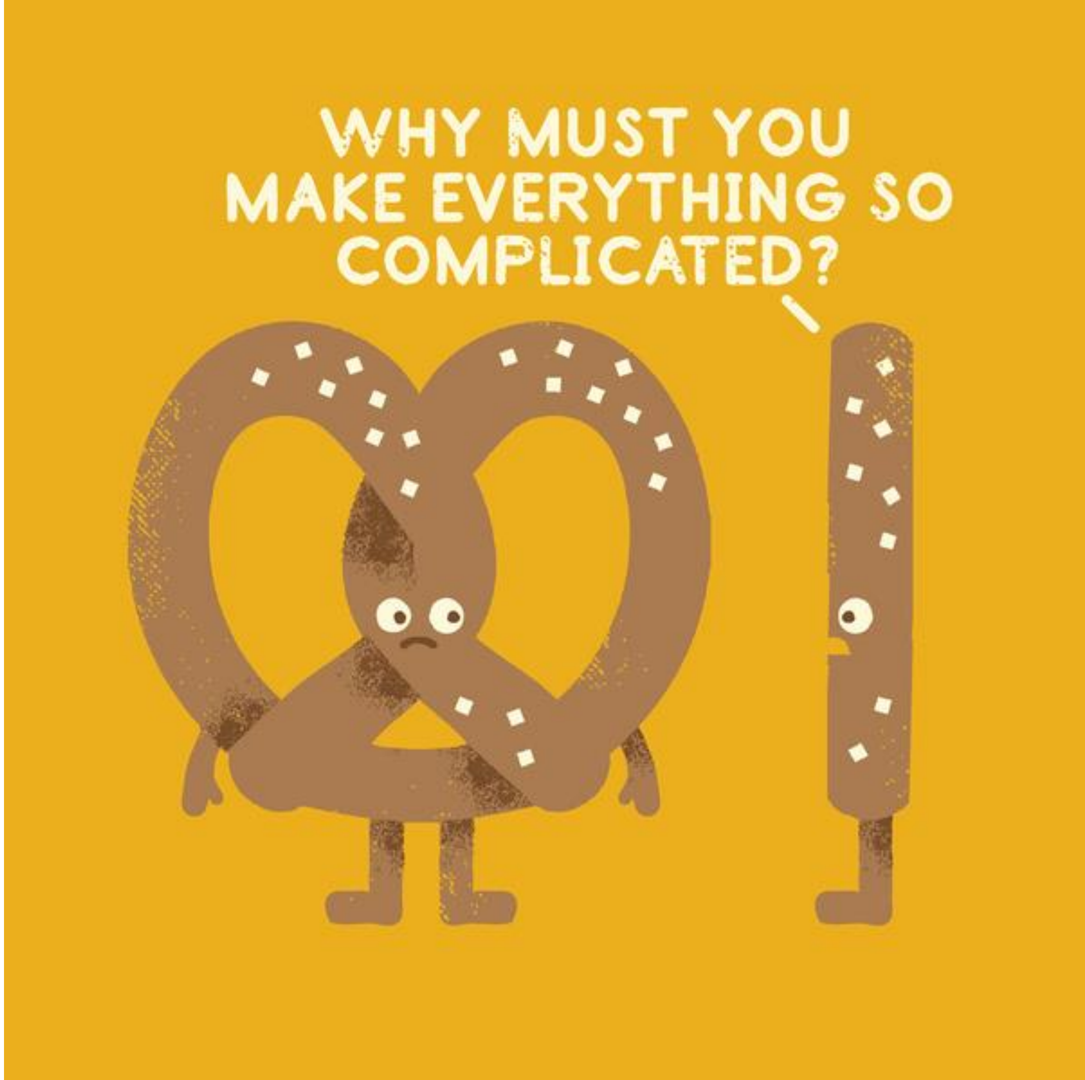
Q & A



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