

# Strauss Group at Leader Capital Markets

January 2014



# Summary of Investment Rationale

- Strauss Group is a unique food & beverage group, which combines strong and resilient operations in Israel with high growth operations in emerging markets (Brazil in particular) and the U.S.
  - In Israel, Strauss is an iconic company with ~12% market share of the food & beverage market
  - Strauss Coffee is one of largest coffee players globally; 3C <sup>(1)</sup>, one of the Group's partnerships, is the largest coffee player in Brazil
  - The Group is uniquely positioned to benefit from the protein-rich, fresh, better for you food trend in the U.S. through its Sabra partnership with PepsiCo
    - With PepsiCo, we further aspire to become the global leader of fresh dips and spreads through our recently launched Obela J.V.
  - We also lead the Point of Use water purification market in Israel and have greenfield operations in water purification in China and the U.K.

(1) 3C: a 50%/50% JV with a local group named São Miguel Holding e Investimentos S.A.; hereafter: "3C".

# Strauss Group Financial Snapshot

(Based on non GAAP figures)

- Ticker: STRS (Tel Aviv); 68% controlled by the Strauss Family
- Market Cap: NIS 7.2Bn. (~ USD 2Bn. <sup>(1)</sup>)
- LTM revenues: NIS 8.2 Billion (~ USD 2.3 Billion <sup>(1)</sup>)
- '08-'12 revenue CAGR: 7.0%
- '08-'12 organic excluding FX revenue CAGR: 6.5%
- LTM EBIT margins: 9.4%; excluding greenfield operations <sup>(2)</sup>: 10.5%
- '12 ROE excluding greenfield operations <sup>(2)</sup>: 18%
- '12 ROIC excluding greenfield operations <sup>(2)(3)</sup>: 10%
- Dividend Yield <sup>(4)</sup>: 2.2%
- Net debt / LTM EBITDA: 1.4x; Credit Rating: ILAA+ (equivalent to A-/ BBB+ on an Intl. scale)

(1) Conversion from NIS to USD based on USD 1 = NIS 3.5. As of January 7, 2014.

(2) Excludes Strauss Water, Obela and Max Brenner. Assumes that HQ and Max Brenner, together, had no EBIT or net income contribution.

(3) ROIC = Tax affected EBIT / (BV of equity + BV of debt).

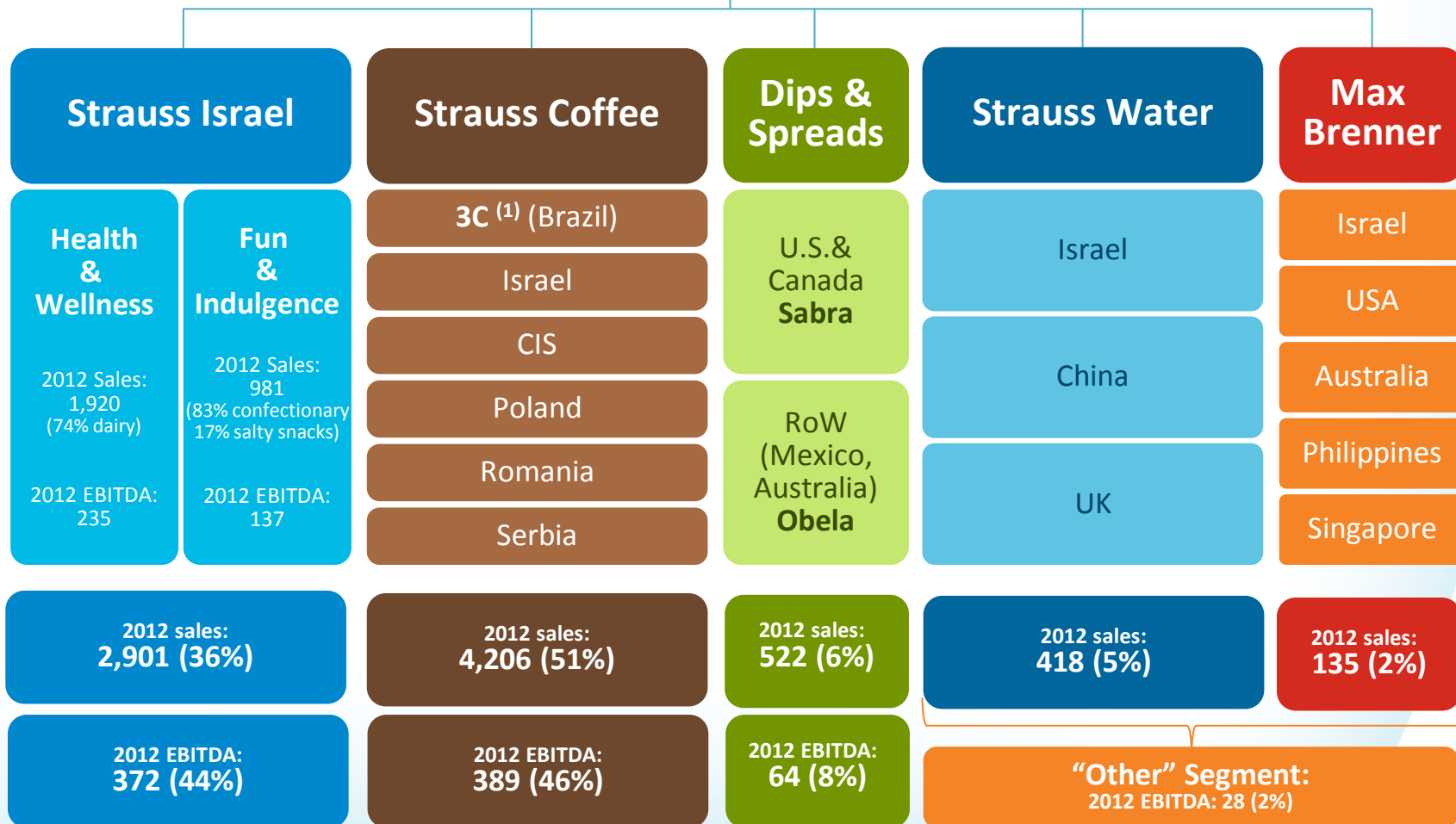
(4) Based on NIS 1.47 DPS and a share price of NIS 67.09, as of January 7, 2014.

# Business Portfolio

We expanded internationally in categories in which we excelled locally

## 2012 Sales and EBITDA Breakdown

(Non GAAP Adjusted; NIS mm)



Source: Company's public filings.

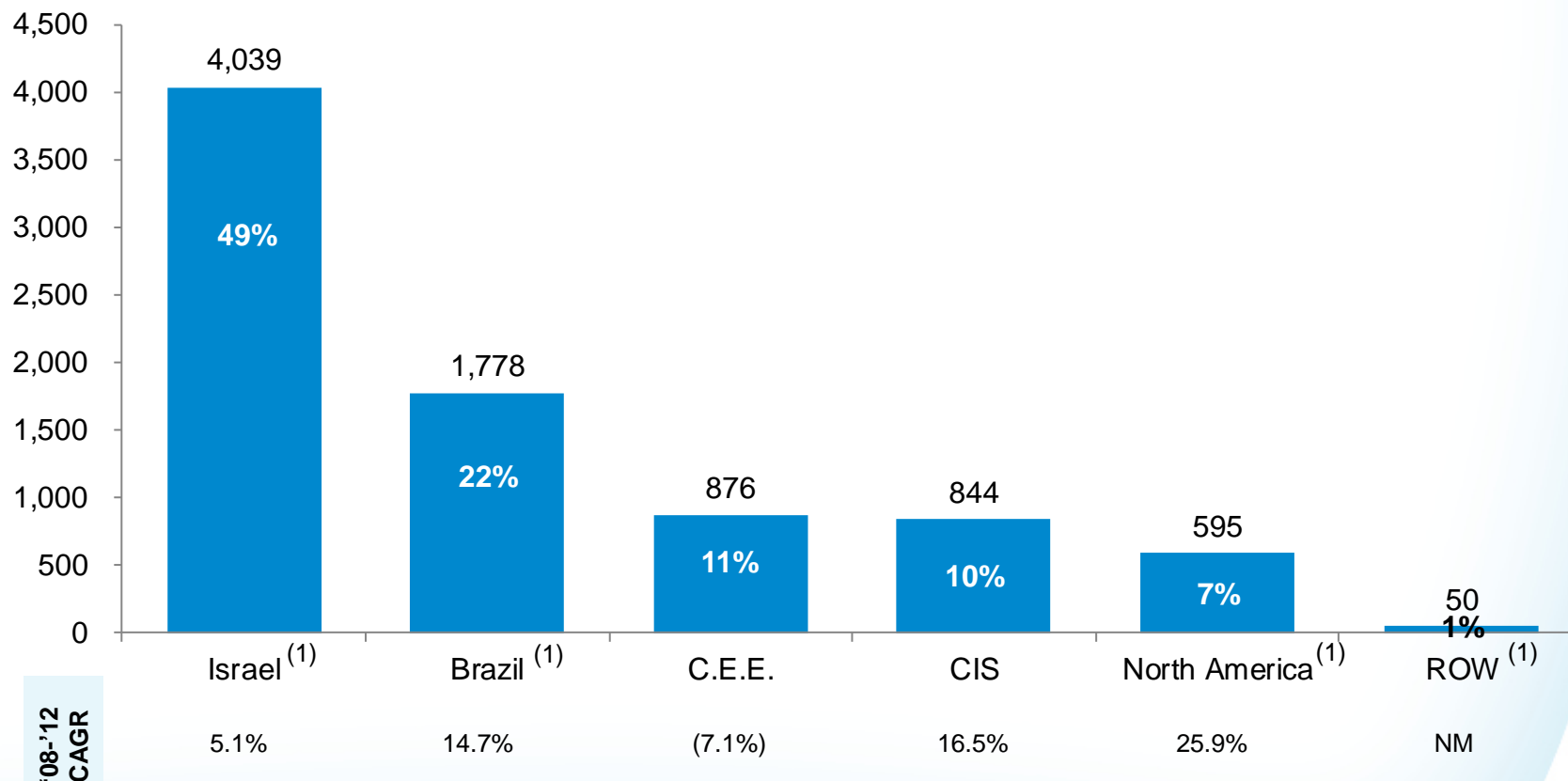
(1) 3C: a 50%/50% JV with a local group named São Miguel Holding e Investimentos S.A.



# 2012 Sales by Geography

We operate in 22 countries, with a strong home base in Israel

Non GAAP <sup>(1)</sup>; NIS mm; % sales contribution



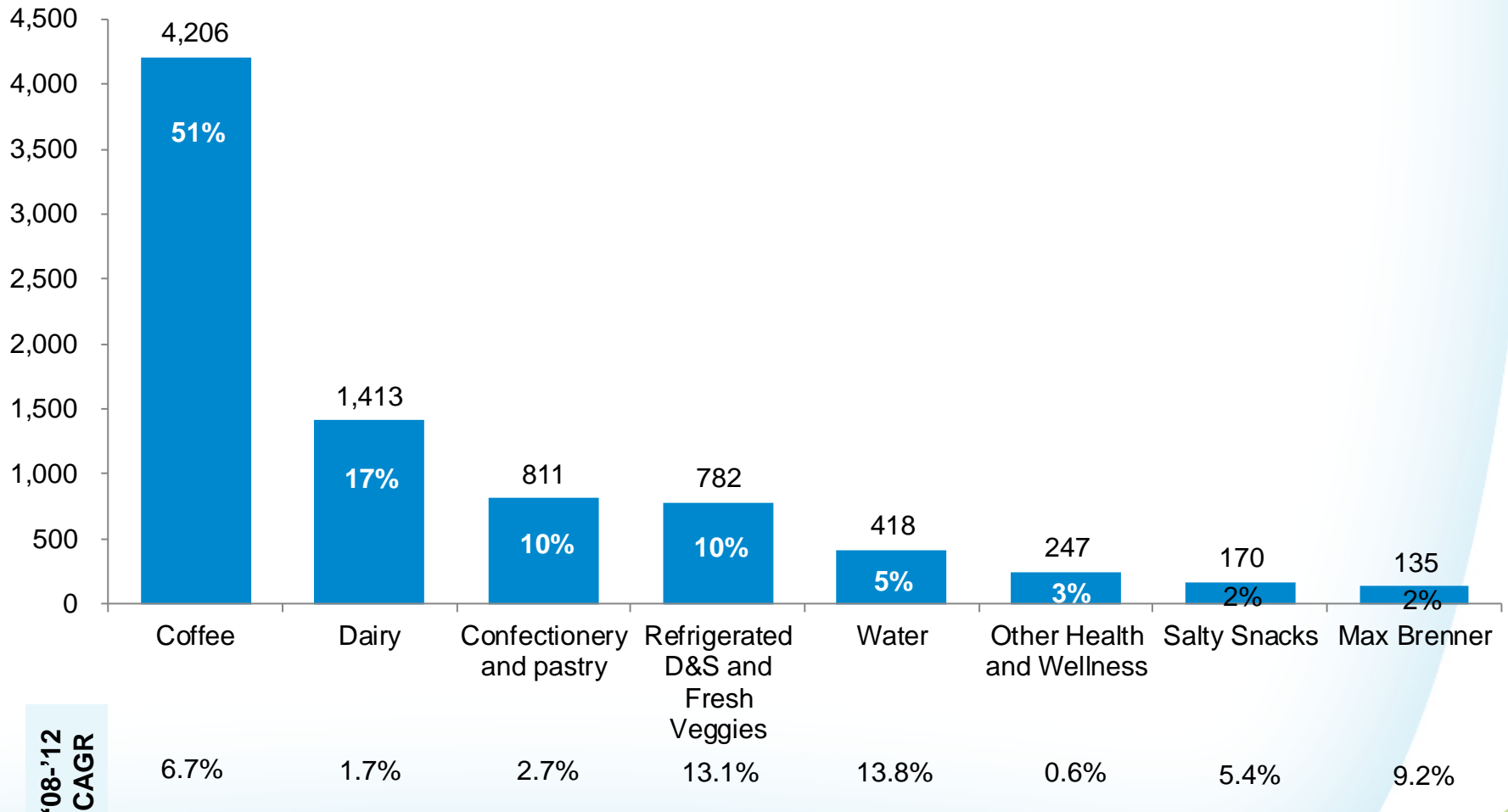
Source: Company's public filings.

(1) Non GAAP sales include sales of jointly controlled entities as if they were proportionately consolidated: Israel data reflect Strauss Group's 50% share in Strauss Frito-Lay. Brazil data reflect Strauss Coffee's 50% in 3C (a 50%/50% JV with a local group named São Miguel Holding e Investimentos S.A). North America data reflect Strauss Group's 50% share in Sabra Dipping Company (hereafter: "Sabra"). ROW reflect Strauss Group's 50% share in PepsiCo Strauss Fresh Dips & Spreads International (hereafter: "Obela"), 50% share in Qingdao Haier Strauss Water (hereafter: "Haier Strauss Water") and 72% share in Virgin Strauss Water UK (hereafter: "Virgin Strauss Water").



# 2012 Sales by Category

We have a diversified portfolio of F&B categories, with coffee being our largest category  
**Non GAAP <sup>(1)</sup> ; NIS mm; % sales contribution**



Source: Company's public filings.

(1) Non GAAP sales include sales of jointly controlled entities as if they were proportionately consolidated: Coffee data include Strauss Coffee's 50% in 3C. Refrigerated D&S and fresh veggies data include Strauss Group's 50% share in Sabra and 50% share in Obela. Water data include Strauss Group's 50% share in Haier Strauss Water and 72% share in Virgin Strauss Water. Salty snacks data reflect Strauss Group's 50% share in Strauss Frito-Lay.



# Main Partnerships

Our international expansion has been with world class leading partners

Minority Ownership

Dairy



- Since 1969
- 20% stake in Strauss Dairy business
- Additional licensing agreement for the use of Danone's know-how and trademarks primarily in Israel

Coffee (SCBV)



- Since 2008
- 25% stake in SCBV bought at a post money equity valuation of about USD 1.2Bn (100%)
- July 2013: announced that TPG and Strauss are reviewing possible TPG exit alternatives from SCBV

Accounted for as Minority Interest

Jointly Controlled Partnerships (50%/50%)

Salty Snacks



- Since 1990
- Additional licensing agreement for the use of PepsiCo's know-how and trademarks primarily in Israel

Sabra; Obela



- Since 2007 (Sabra) and 2012 (Obela)

3C (Coffee Brazil)



- Since 2005

Water



- Since 2011 (Haier) and 2012 (Virgin)
- Haier: 50%/50%; Virgin: 72% (STRS); 28% Virgin

Accounted for under the Equity Method;

Proportionately Consolidated under the Group's non GAAP figures

# Strauss Group Strategic Medium Term Framework

Our medium term starting point is focus on current BUs

Starting point



**FOCUS** on current BUs rather than expanding into new legs

# Strauss Group Strategic Medium Term Framework

...while our portfolio's theme is market leadership and consumer value

Starting point  **FOCUS** on current BUs rather than expanding into new legs



1

# Market Leadership

We strive to be #1 or a strong #2 everywhere we play

## Main Brands

## Market Position

Israel



- Iconic Israeli company; second largest F&B Co. in Israel (~12% value market share)
- About 70% of Strauss products in Israel hold the No.1 market position

Coffee



- Brazil's largest coffee player (3C); value market share: ~21%
- Strong coffee player in key emerging markets
- About 70% of Strauss coffee sales are from countries with No.1 or No. 2 market position

Sabra



- U.S. market leader in hummus (~63% value market share) and refrigerated dips and spreads (~29% value market share)

Water



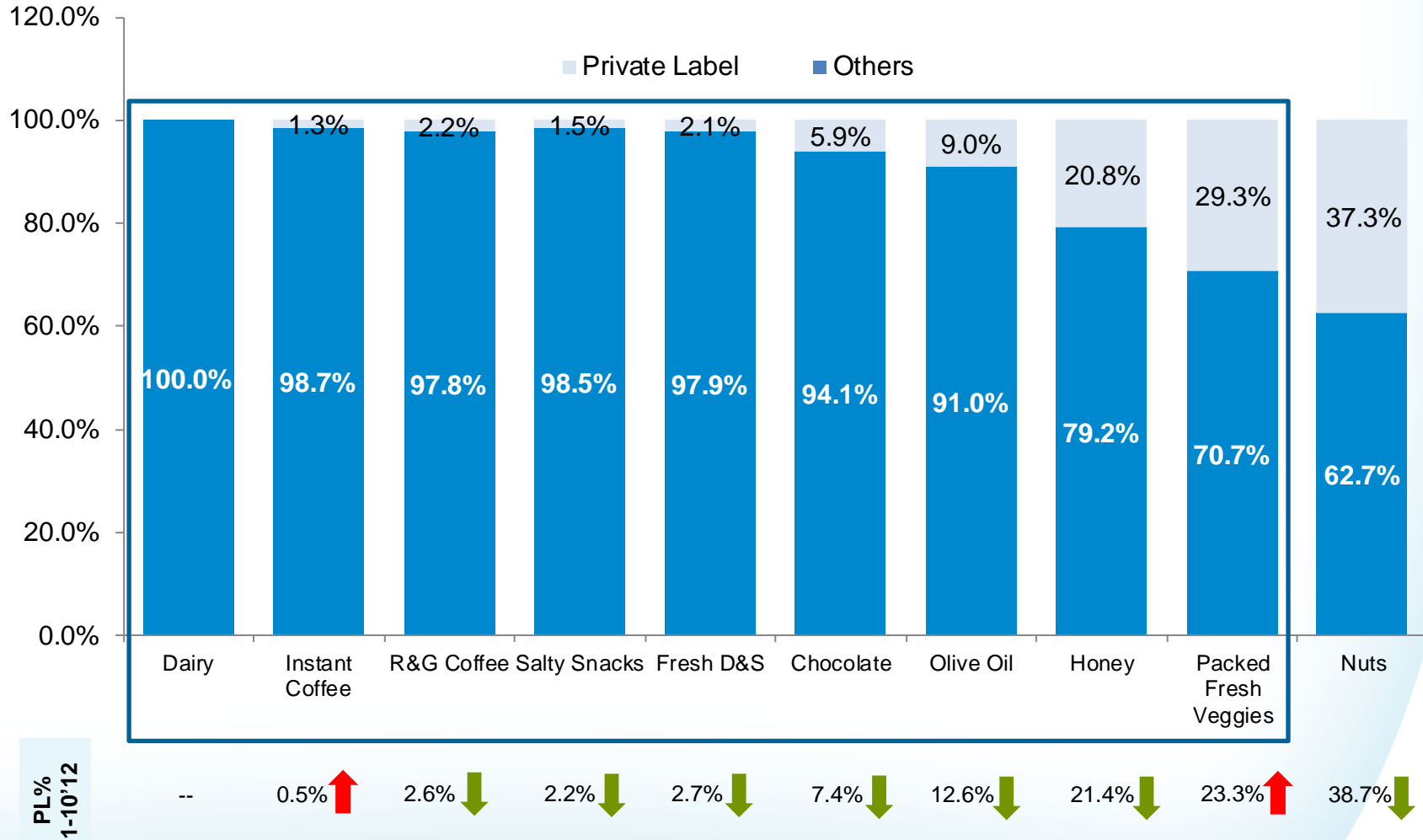
- Israel's market leader in water purification with ~25% household penetration and ~80% value market share in water purifier bars

2

## Private Label Penetration in Israel, by Category <sup>(1)</sup>

Our categories have relatively low private label penetration

Overall private label penetration in Israel in Strauss categories: 7.3% (vs. 8.2% last year <sup>(1)</sup>)

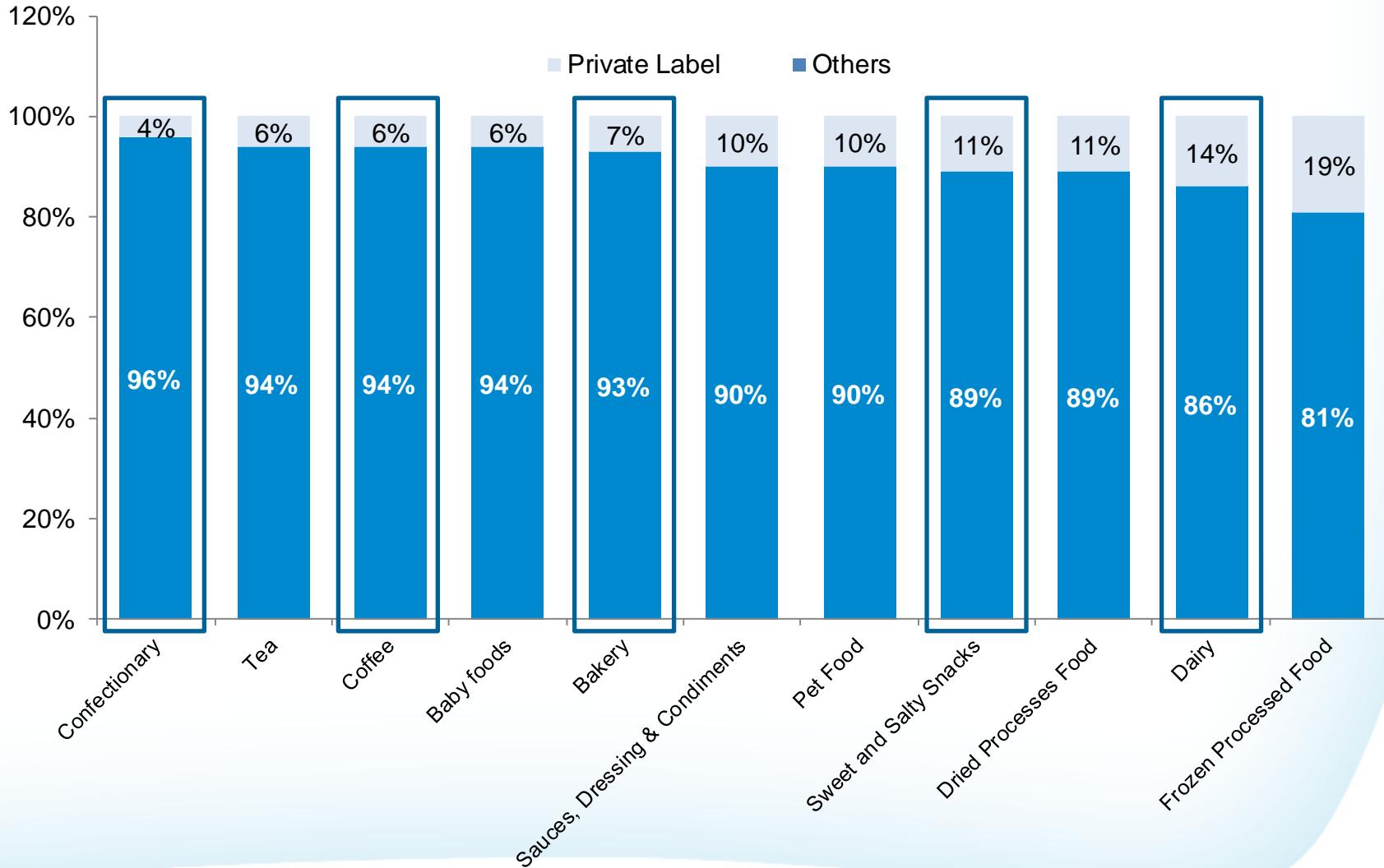


(1) Source: StoreNext. Based on January–October 2013 data and comparative data from January–October 2012.

2

## Global Private Label Penetration, by Category <sup>(1)</sup>

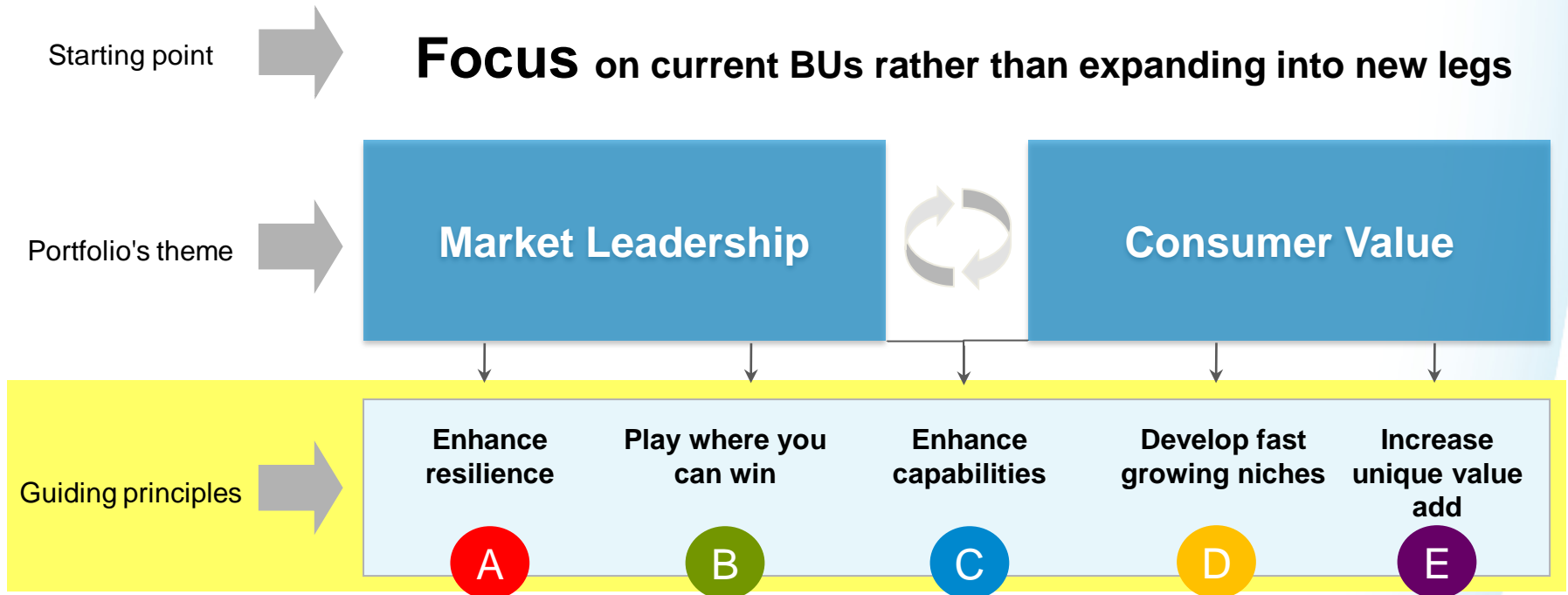
Our categories have relatively low private label penetration



(1) Source: Euromonitor.

# Strauss Group Strategic Medium Term Framework

We have five strategic guiding principals

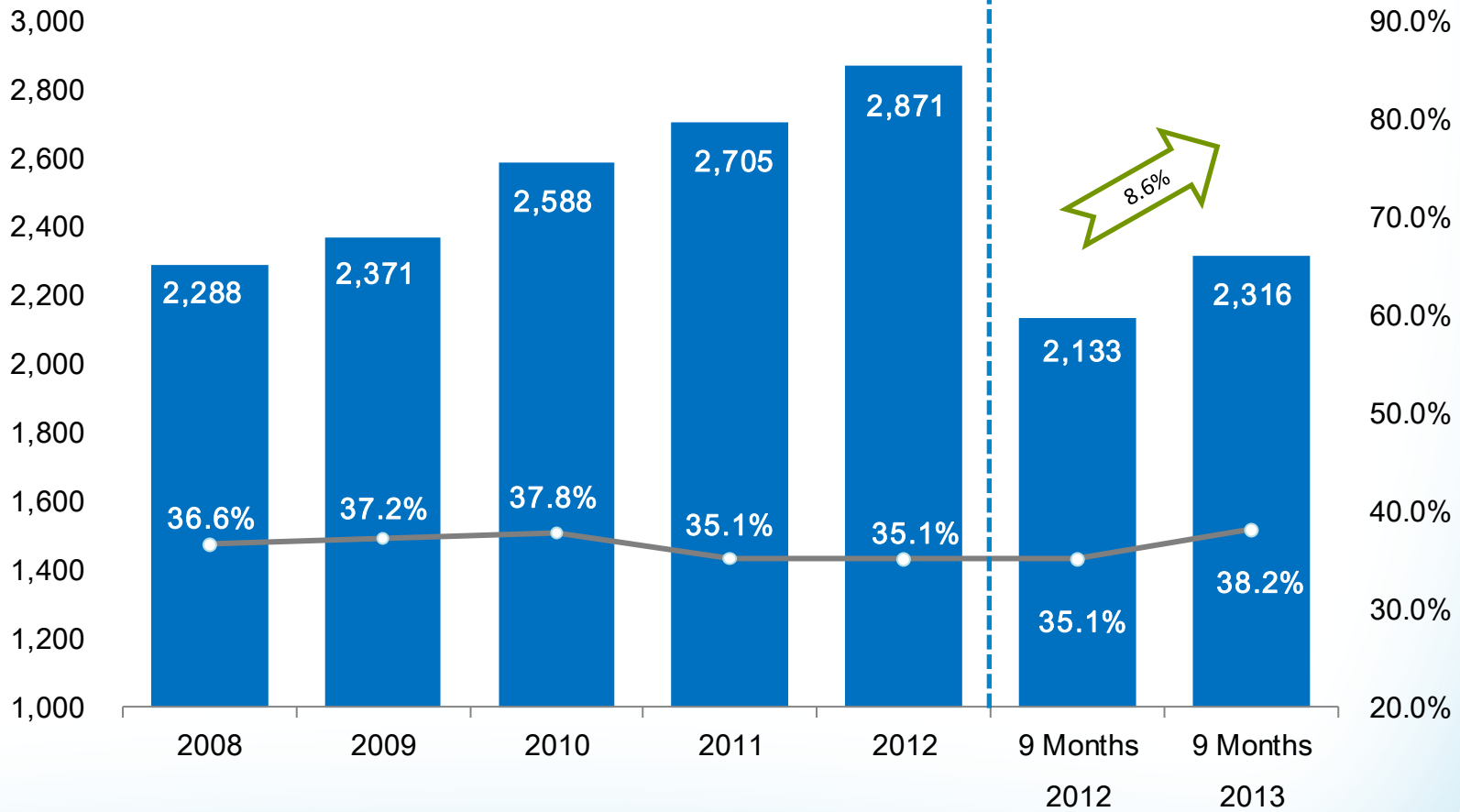


A

# Enhance Resilience (1/4)

## Gross margin expansion in 2013 YTD

NIS mm; %GP



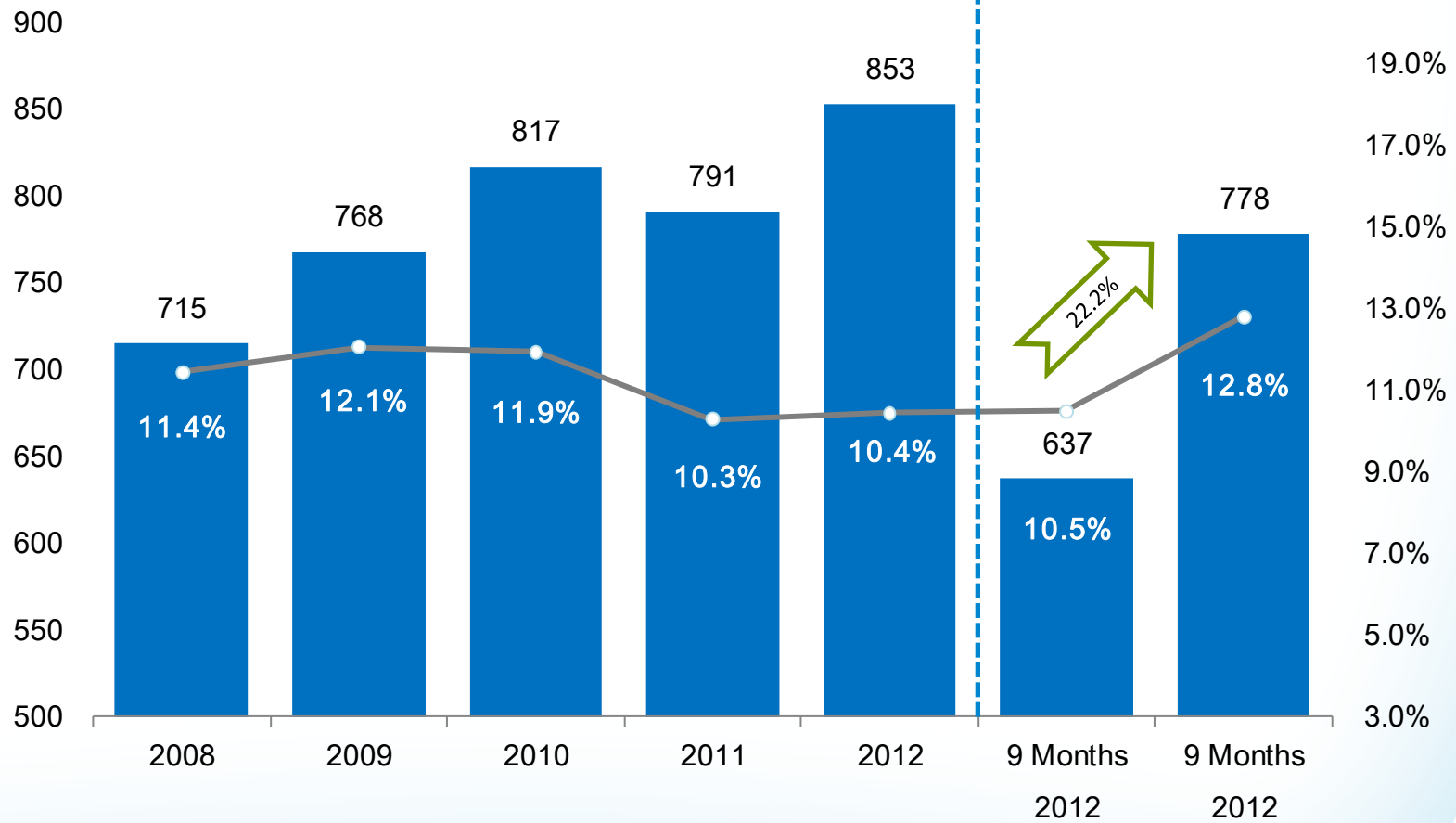
Source: Company's public filings.

A

# Enhance Resilience (2/4)

## EBITDA margin enhancement

NIS mm; % EBITDA margin

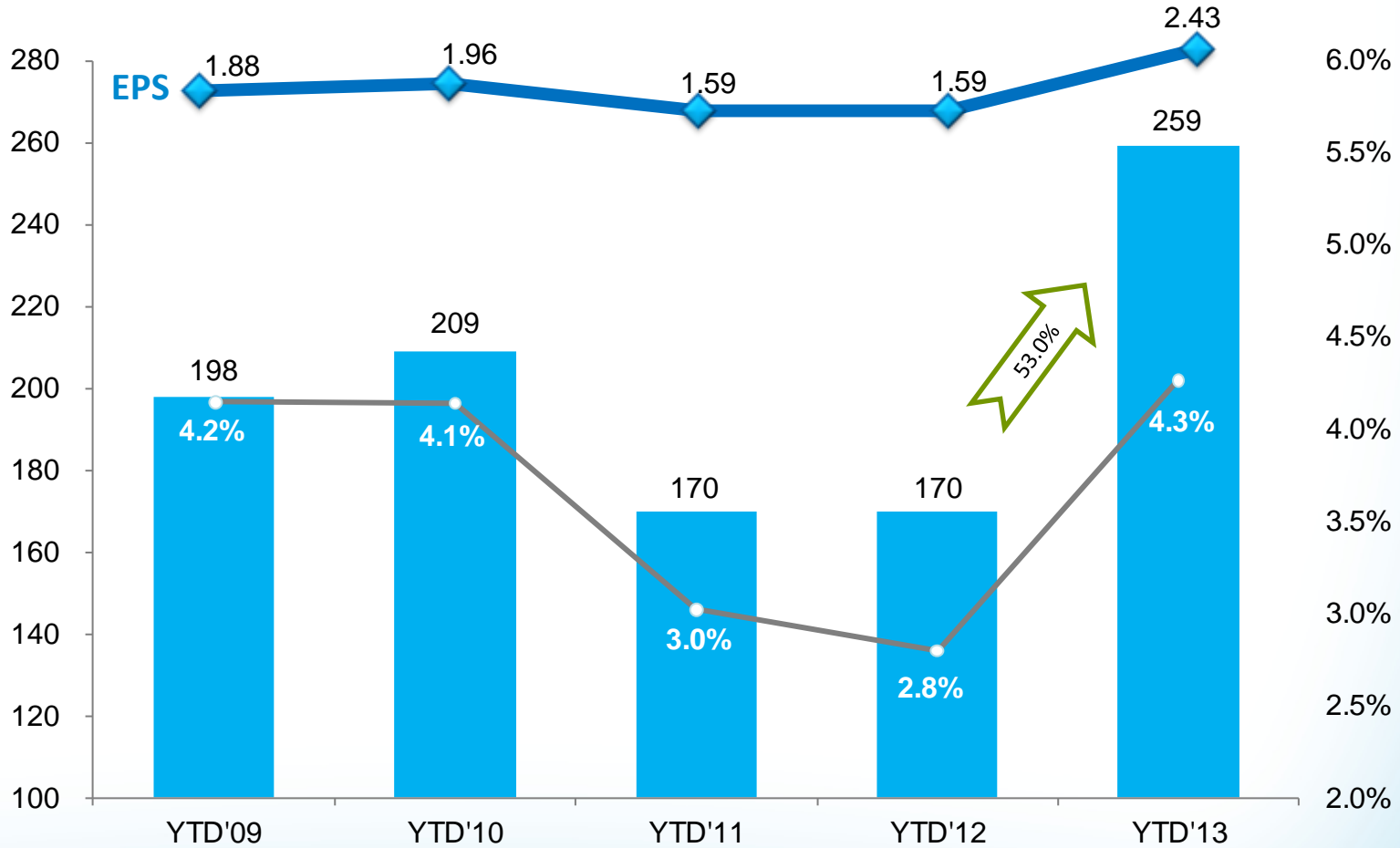


Source: Company's public filings.

# Enhance Resilience (3/4)

A

YTD (Jan-Sep) Non GAAP Adjusted Net Profit, NP margins and EPS  
NIS mm

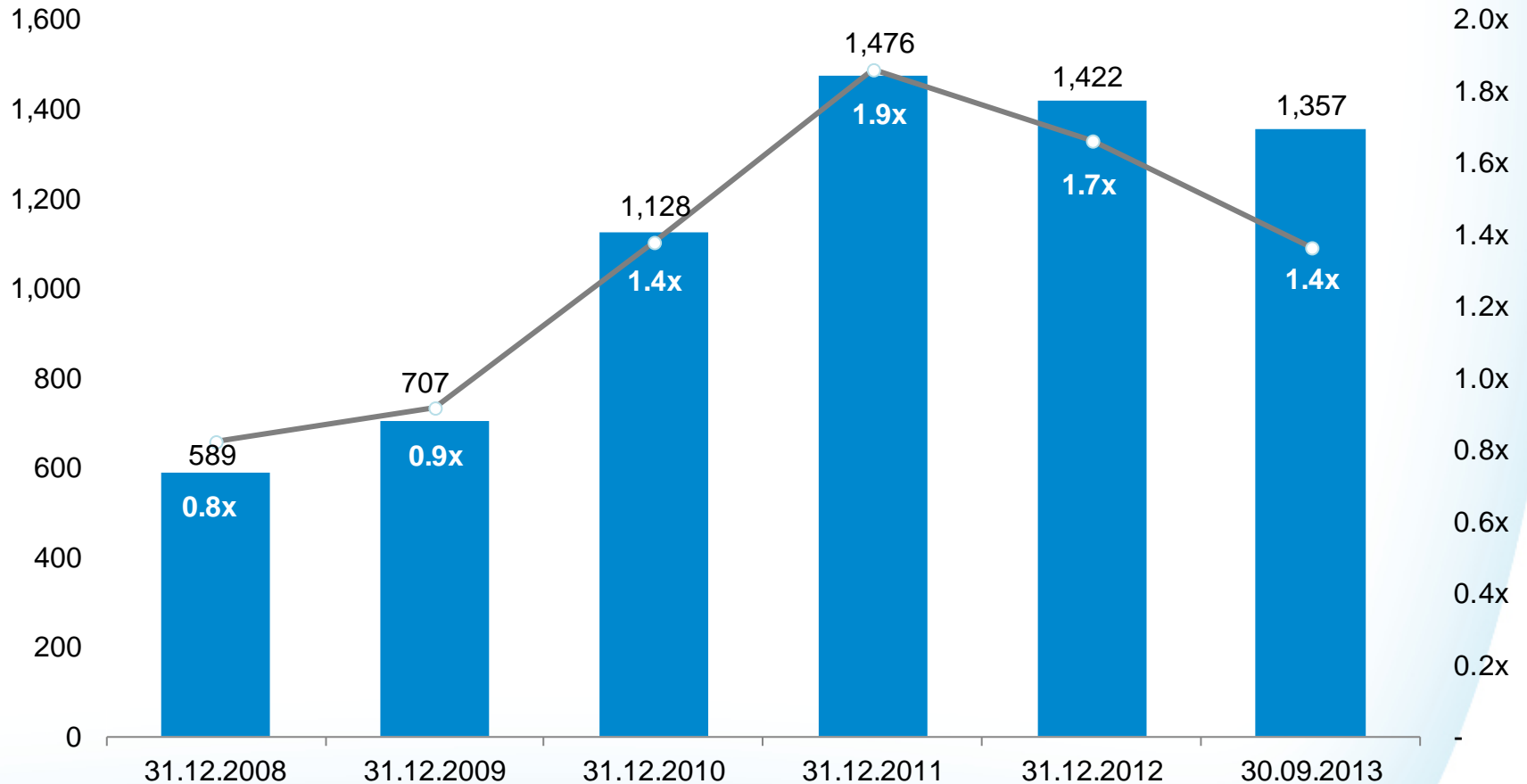


A

# Enhance Resilience (4/4)

## Evolution of net debt /EBITDA (non GAAP)

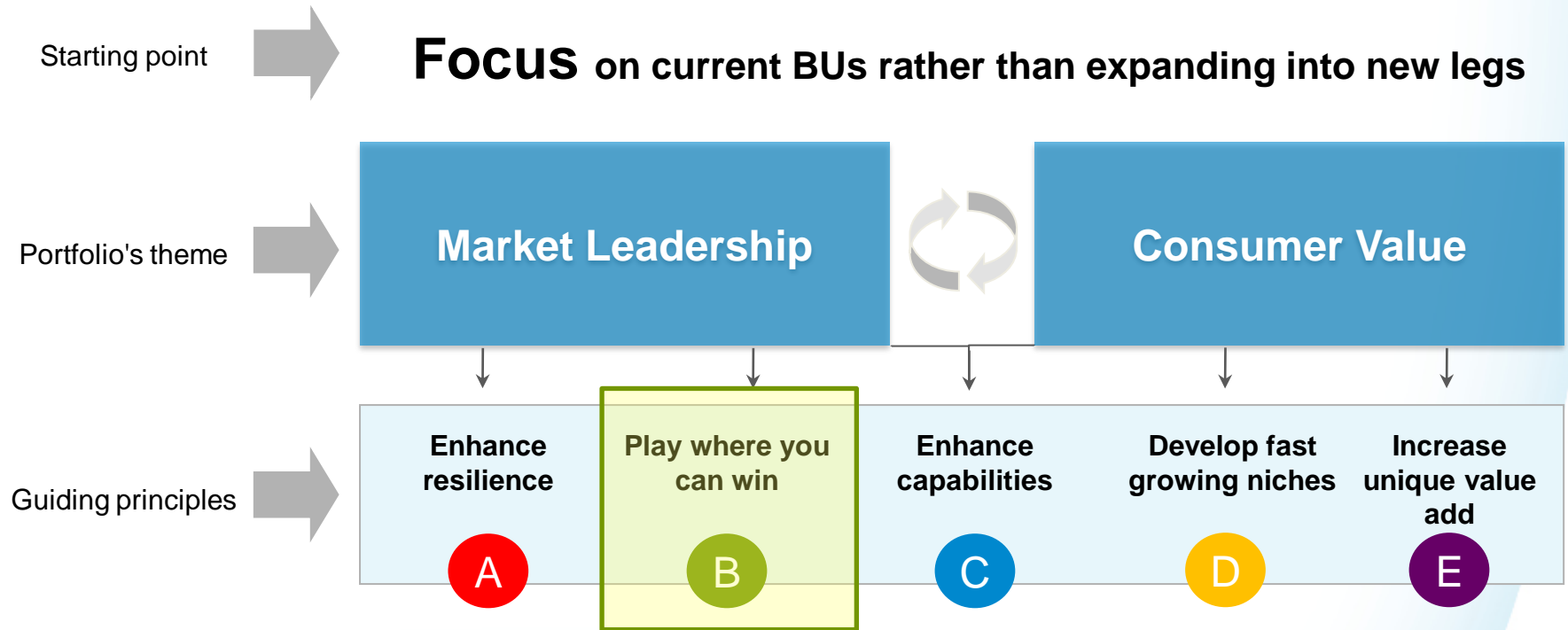
Reduction of leverage; NIS mm



Source: Company's public filings.

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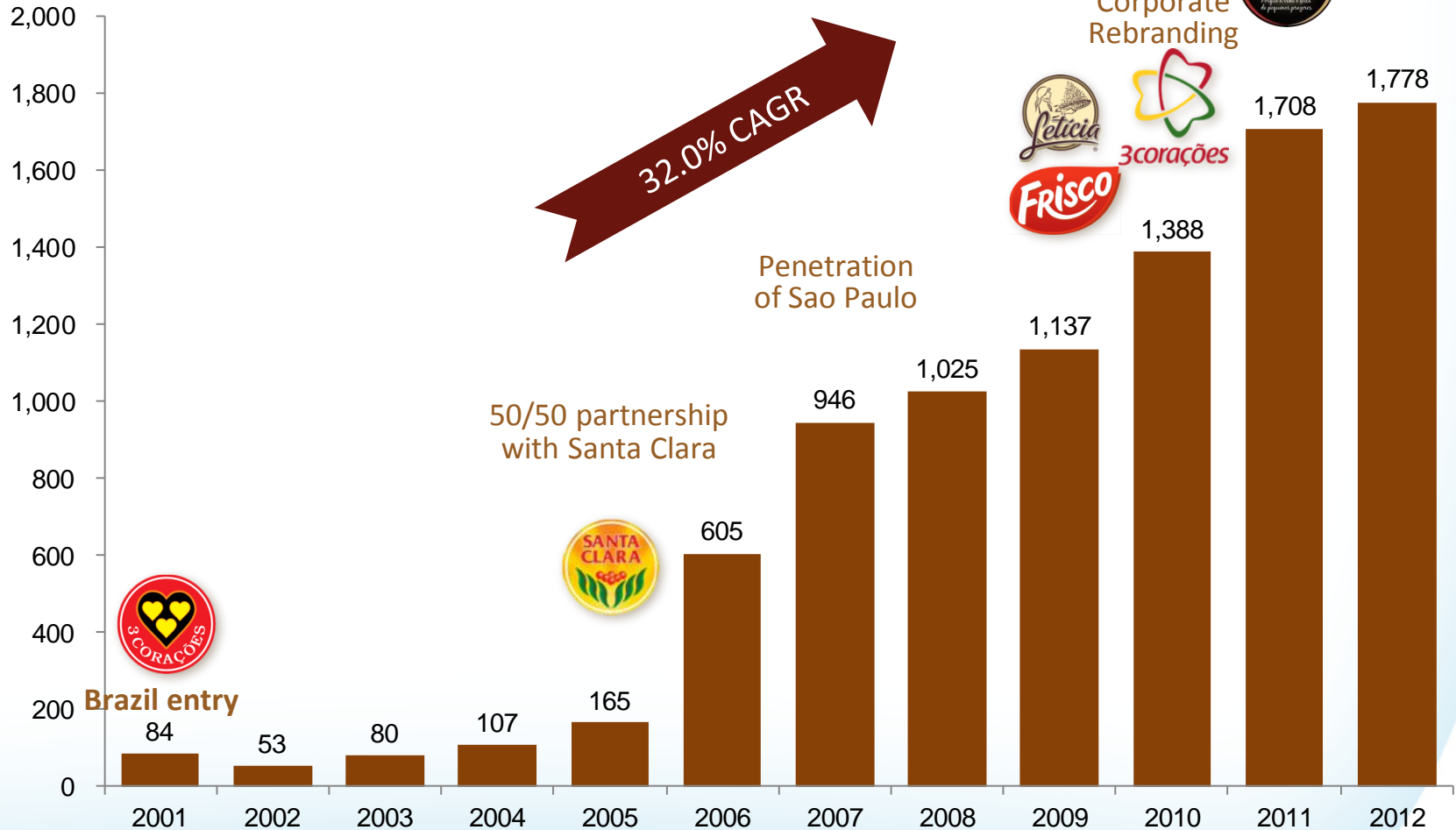


B

# Play Where You Can Win (1/3)

## Três Corações Alimentos S.A. - Sales

(50% as consolidated by Strauss, NIS mm)



Source: Company's public fillings.  
Starting in 2006 and thereafter, figures represent SCBV 50% share in 3C JV.

B

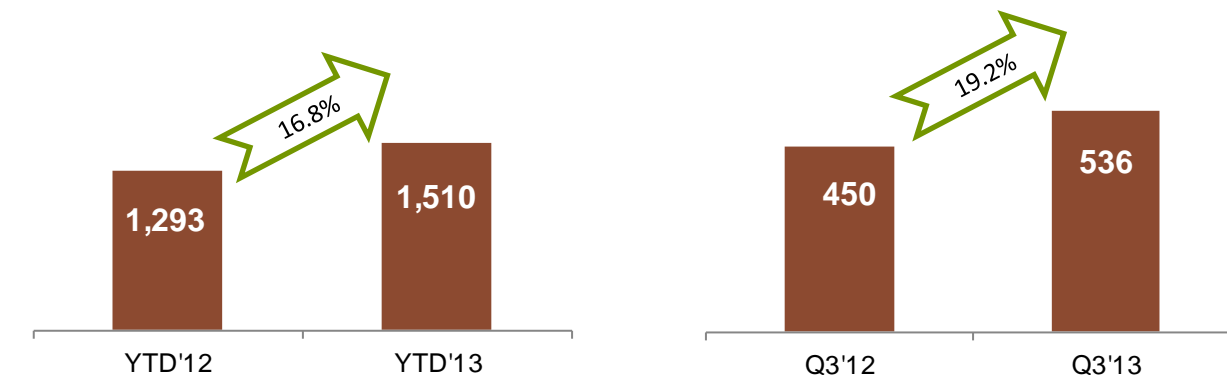
# Play Where You Can Win (2/3)

## Três Corações Alimentos S.A. - Snapshot

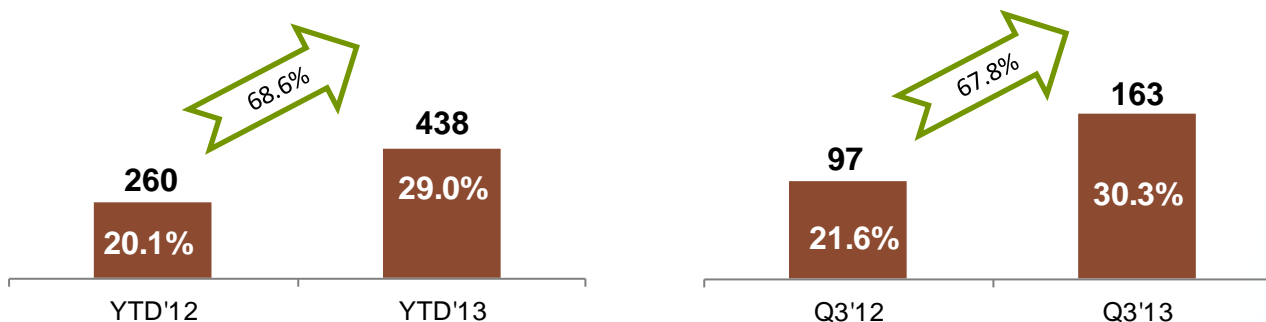
(BRL mm for 100% ownership and including inter-company sales)



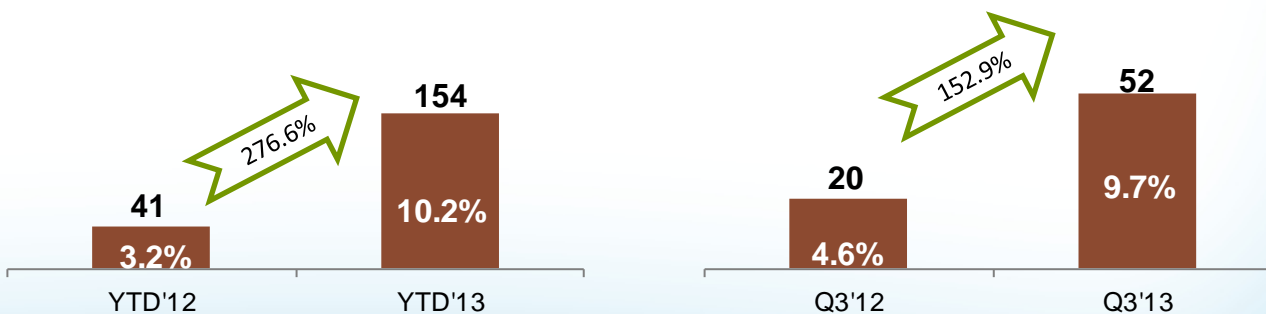
Sales



GP and GM



EBIT and EBIT Margins (1)



3C: a 50%/50% JV with a local group named Sao Miguel Holding e investimentos.

YTD data refer to the period January through September (inclusive).

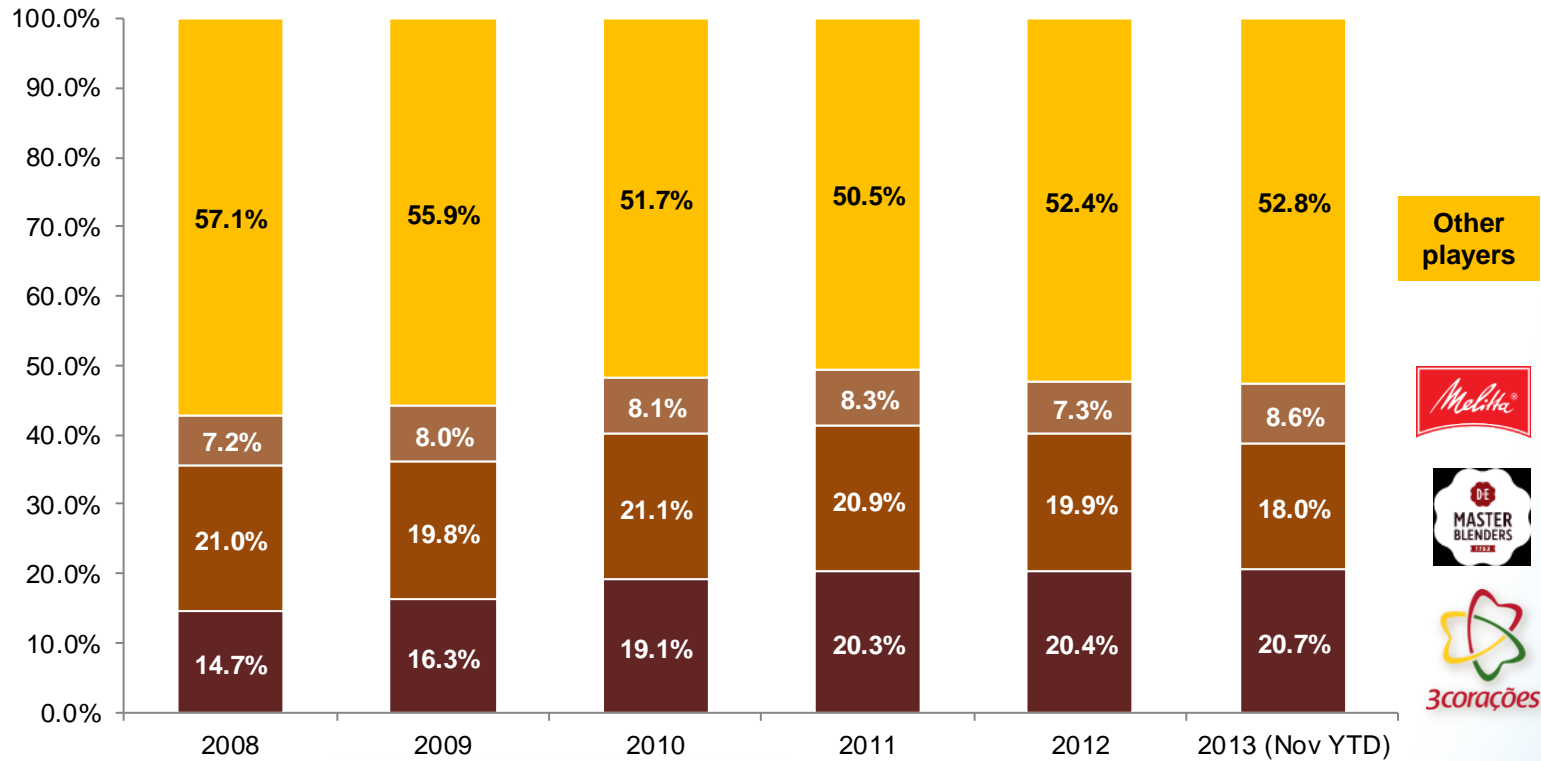
Source: Três Corações Alimentos S.A Consolidated Interim Financial Statements as at September 30<sup>th</sup> 2013.

(1) EBIT before Other Expenses/ Income.

B

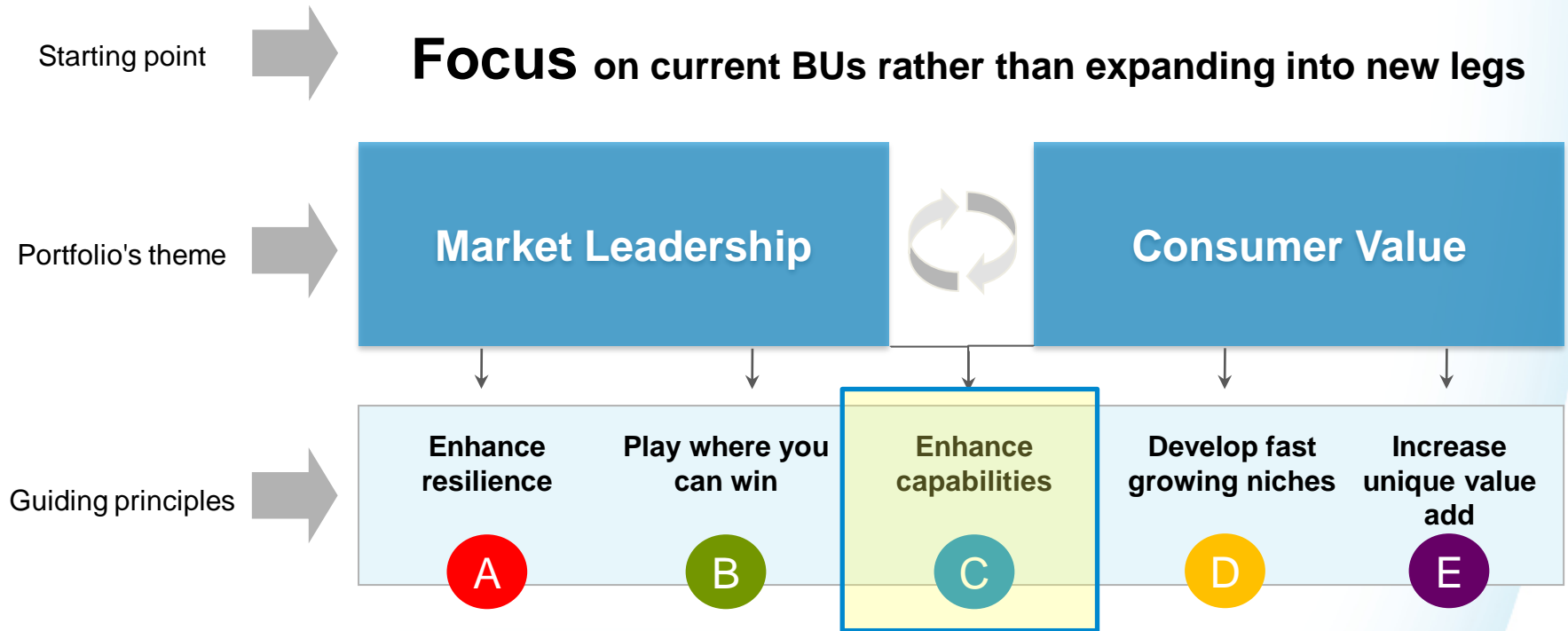
# Play Where You Can Win (3/3)

Três Corações R&G evolution of volume market share



# Strauss Group Strategic Medium Term Framework

We have five strategic guiding principals



C

# Enhance Capabilities (1/5)

NDKW

Improved supply chain in freeze dried operations





# Enhance Capabilities (2/5)

Shoam

New logistics and distribution center for Israel (expected completion: Q4'14)



C

## Enhance Capabilities (3/5)

### Alpha Strauss: Food Tech Community

Strauss Group platform to nurture innovative & breakthrough technologies

Technology is key to sustainable performance

Israel, a start-up nation, can become a food tech nation

Strauss is a mid cap company

Israel can serve as our R&D center



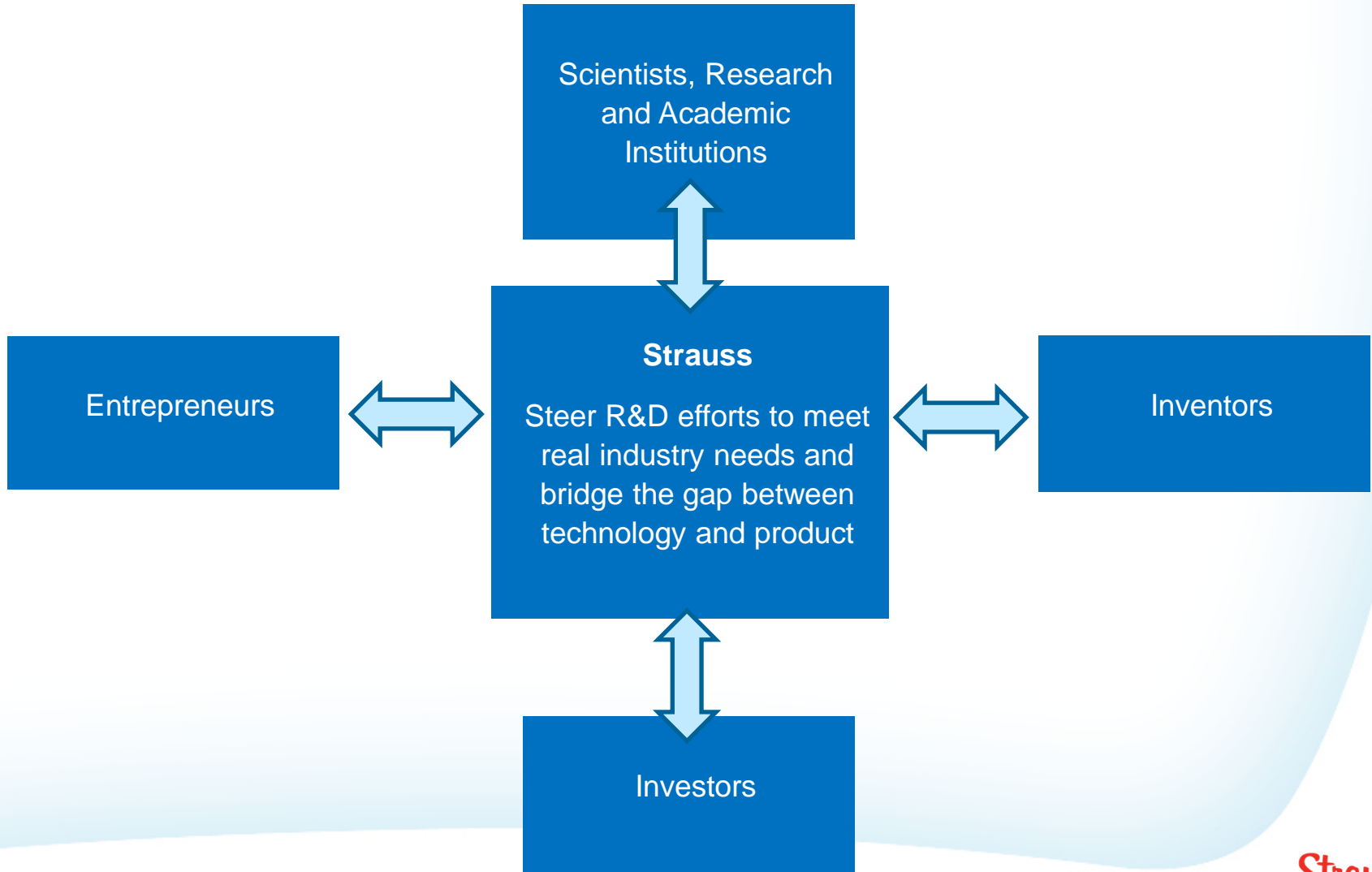
Strauss established a **food tech community** in Israel which is a platform to nurture innovative & breakthrough food technologies

C

# Enhance Capabilities (4/5)

## Alpha Strauss: Food Tech Community

Created mutual relationships with wide community to develop relevant food technologies





# Enhance Capabilities (5/5)

## Alpha Strauss: Food Tech Community

### Goals and initial results

Screened over 400 technologies

40 technologies are in evaluation process

20 technologies are under development

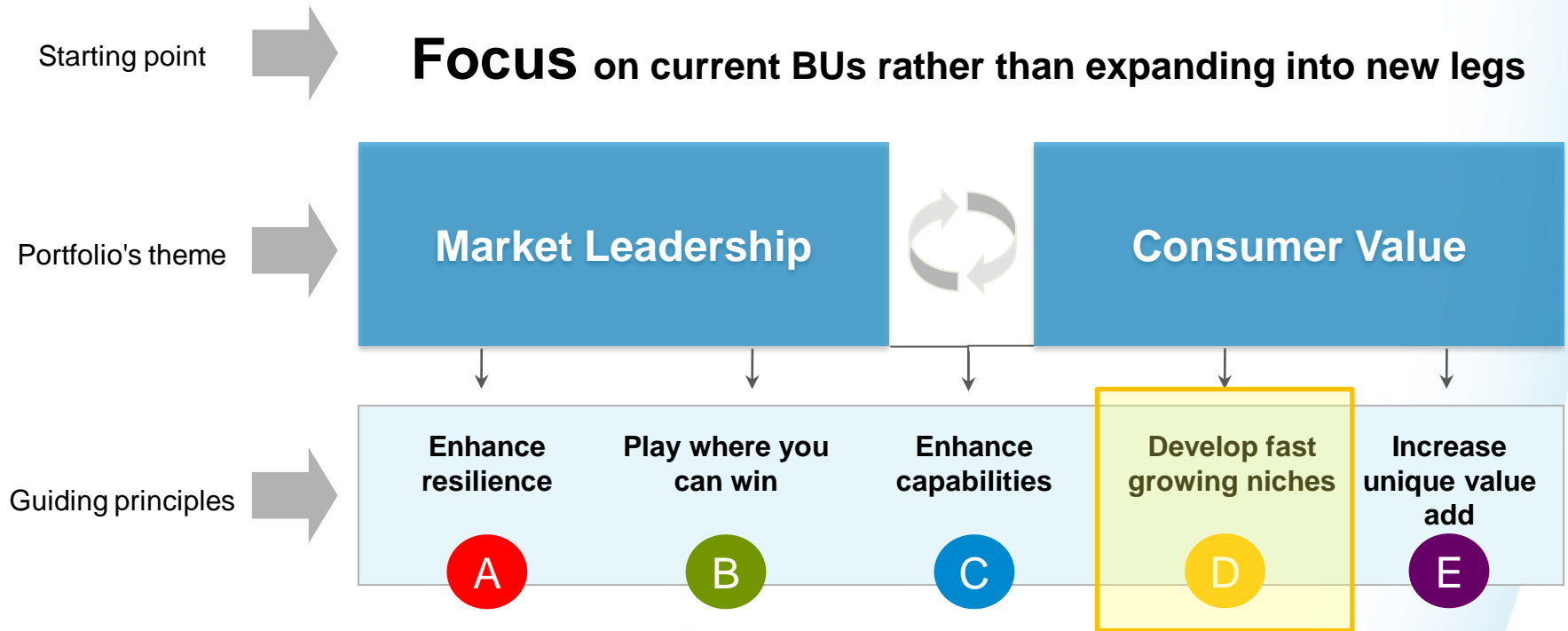
5 technologies are close to launch

Goal is to identify a pool of small – mid impact technologies  
To enhance current business units  
and a small number of breakthrough - transformative technologies  
that can be a base for new business opportunities

Implementation is done by Alpha agents and has senior management commitment

# Strauss Group Strategic Medium Term Framework

We have five strategic guiding principals



D

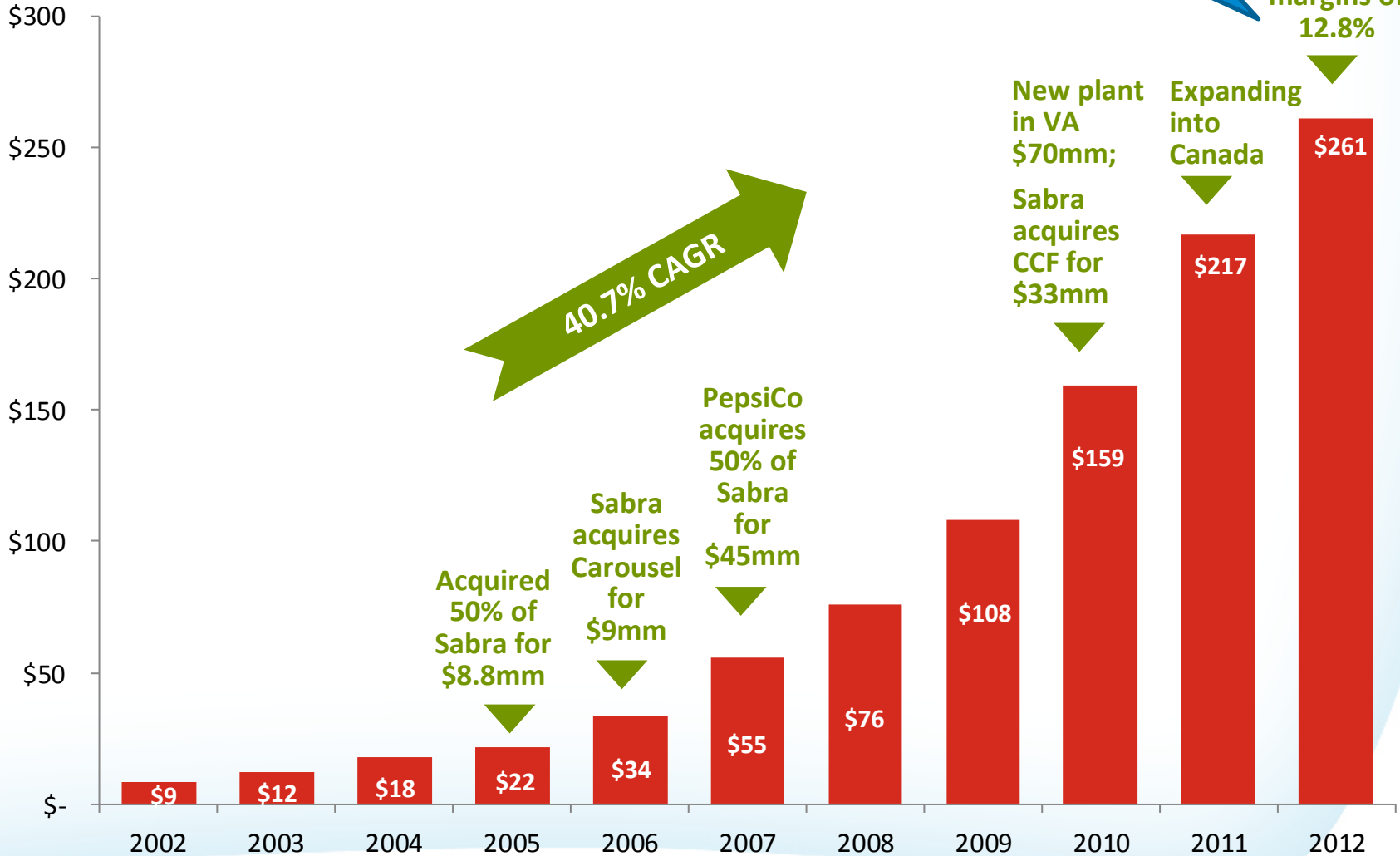
# Develop Fast Growing Niches (1/4)

## Sabra's Sales

(USD mm for 100% Ownership)



YTD 2013  
(Jan-Sep) EBIT  
Margins =  
13.9%



40.7% CAGR

D

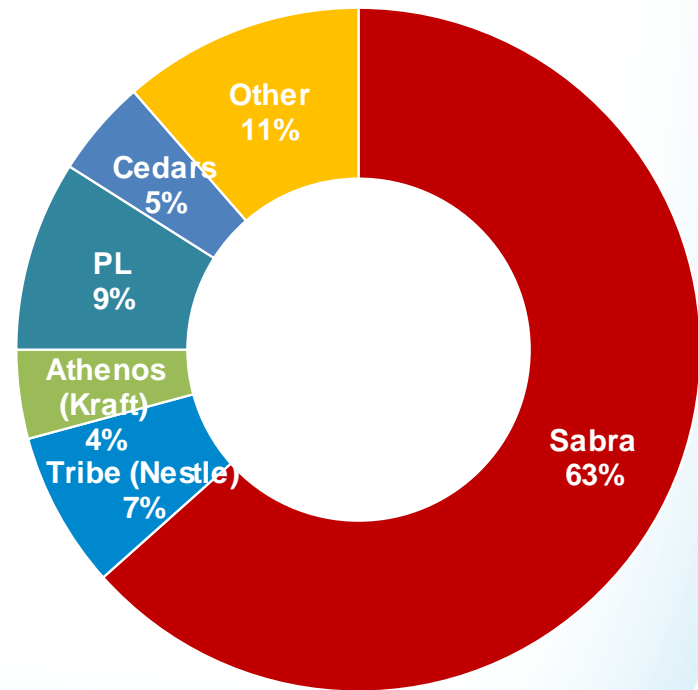
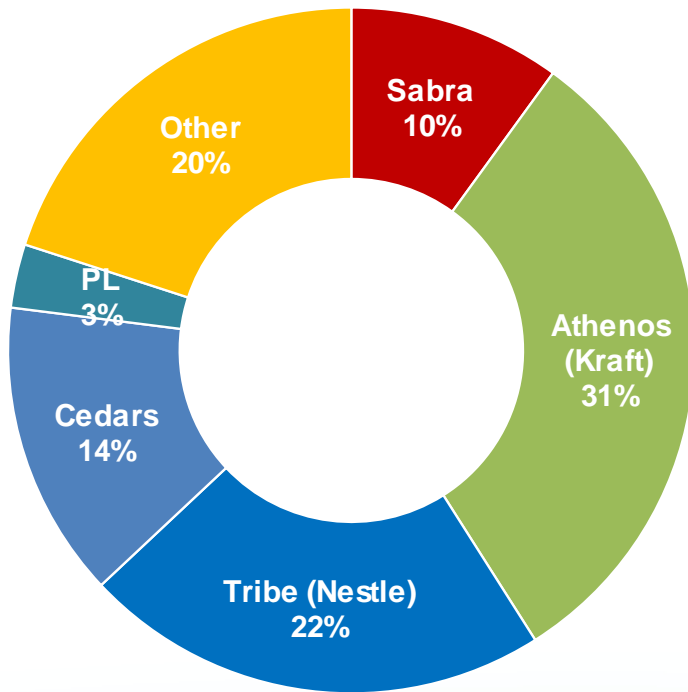
# Develop Fast Growing Niches (2/4)

## Sabra's evolution of hummus value market share



2005

Q3 2013



D

## Develop Fast Growing Niches (3/4)

Further investment in Sabra's VA plant



D

## Develop Fast Growing Niches (4/4)

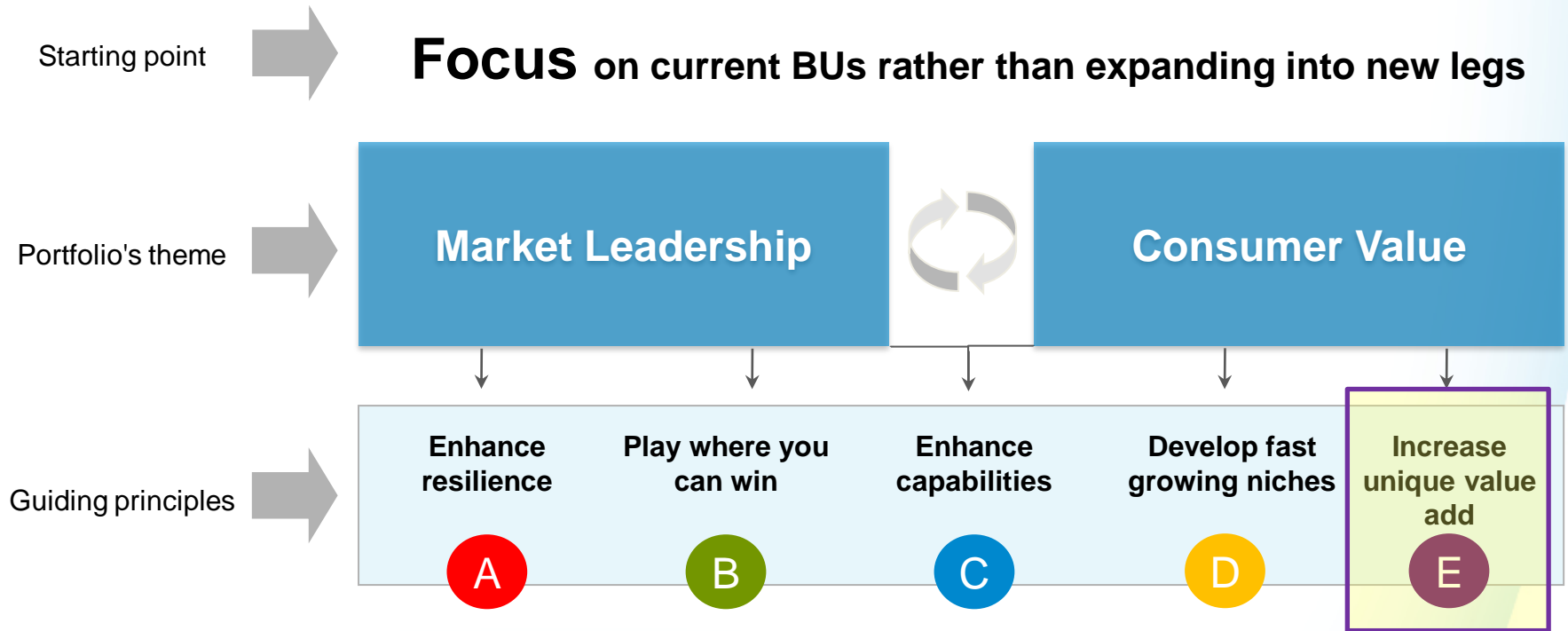
Further expand Sabra outside the U.S. and Canada

Obela aspires to become the world leader in fresh dips and spreads



# Strauss Group Strategic Medium Term Framework

We have five strategic guiding principals



E

# Increase Unique Value Add (1/5) Innovation

## Bubble Bar



**All in one:** Purified water – hot or cold, still or sparkling

**Unique Single Serve technology** promises freshly carbonated serving every time

**Three levels of carbonation** (light, medium or strong)

**Innovative design** by internationally acclaimed designer Gadi Amit

**Ultimate convenience:** No more bottles. Co2 canisters home delivered. Easy to replace canister mechanism

**Environmentally friendly**

**Main target audience:** Upper mainstream. Sparkling water drinking families

**Innovative service model:** Co2 canisters ordered on-line and through smart phones. 48 hour home delivery

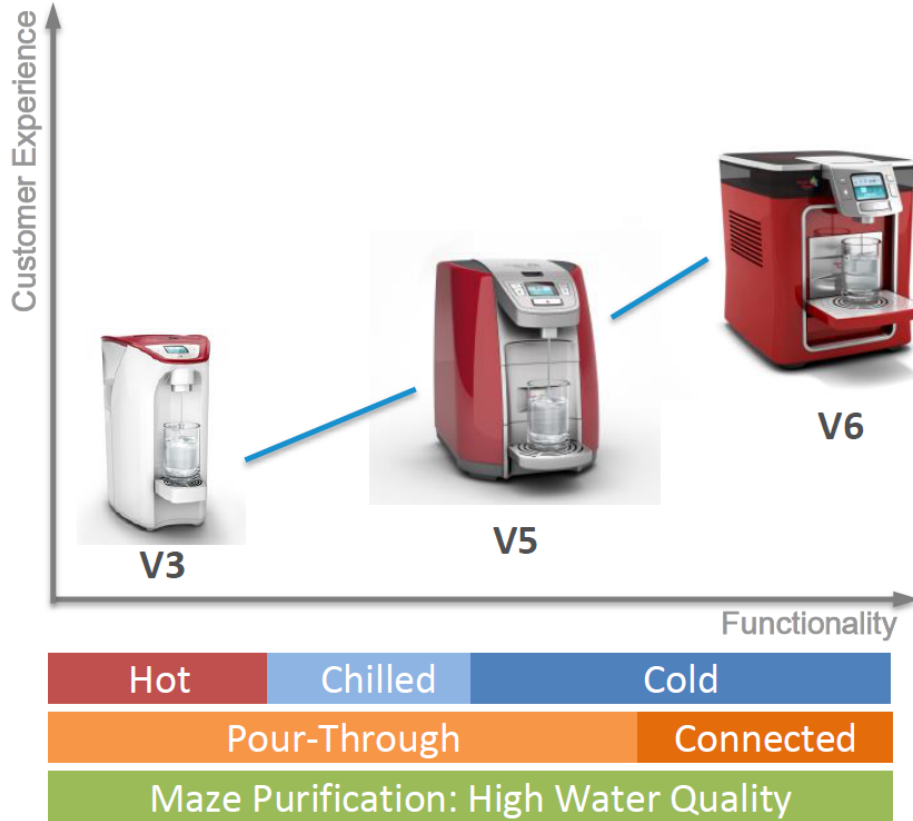
**Launch date:** Soft launch: November 2013;  
full launch: January 2014

E

# Increase Unique Value Add (2/5) Innovation

China

Solutions for all environments without a need to connect to a water system



### Products Role:

- V3: Functional**  
 Provide a pour-through solution, entry level price for home and as a second product
- V5: Mainstream**  
 Pour-through, small footprint with multiple temperatures and advanced UI. Our mainstream home solution
- V6: Premium**  
 Rich level of functionality, can be connected to the water supply, solution for Home and SOHO



E

# Increase Unique Value Add (3/5)

## Innovation

New product launches in Strauss Israel



E

# Increase Unique Value Add (4/5) - i Innovation

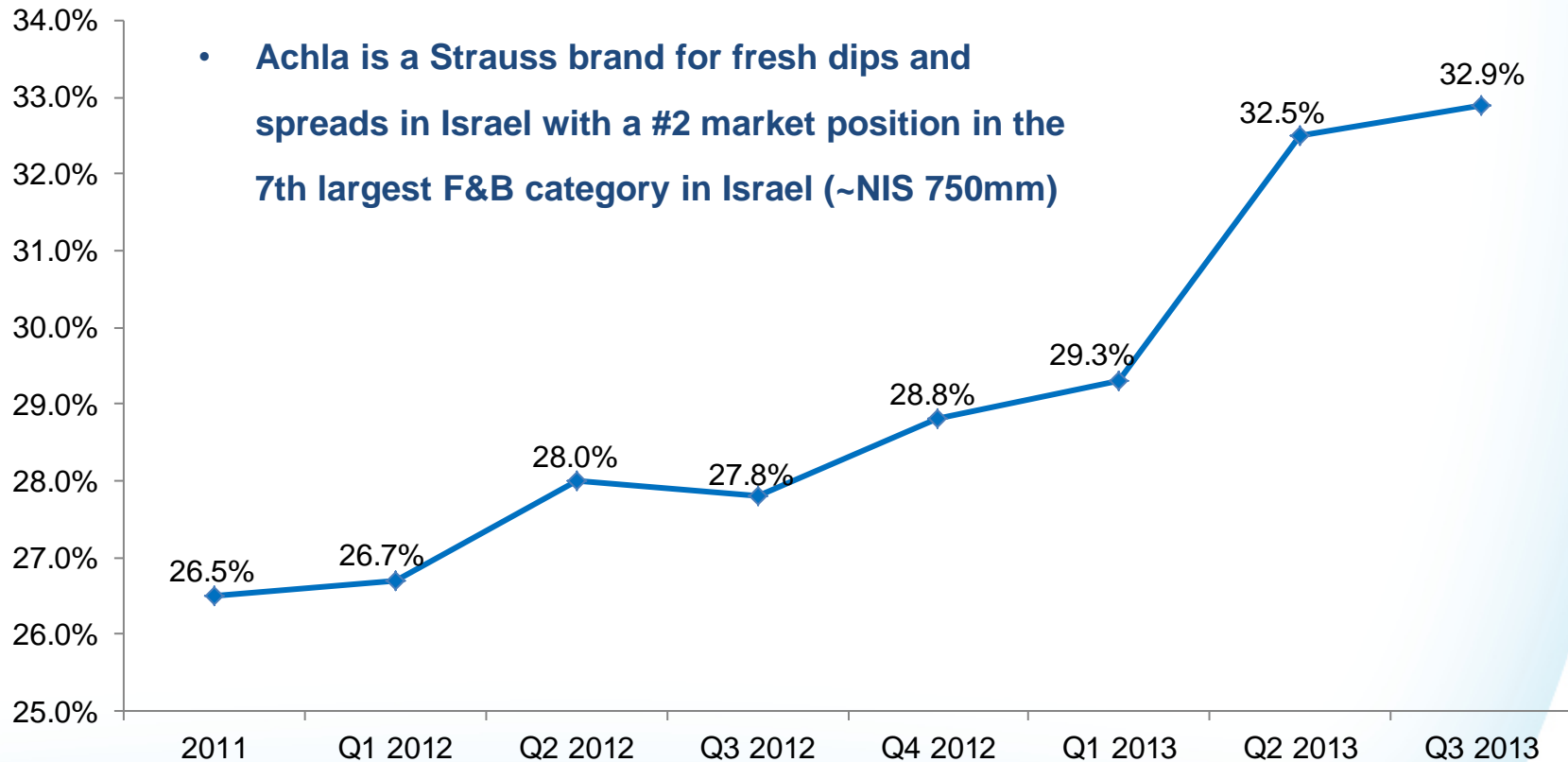
Reinvigorate the Achla brand – Product pictures





# Increase Unique Value Add (4/5) - ii Innovation

Reinvigorate the Achla brand - Evolution of Achla value market share



# E Increase Unique Value Add (5/5) – i Innovation

Três Corações – Caffitaly JV



# E Increase Unique Value Add (5/5) – ii Innovation

Três Corações – Caffitaly JV



# E Increase Unique Value Add (5/5) – iii Innovation

Três Corações – Caffitaly JV



Pantone Black 6 C Prata



Pantone 199 C Prata



Branco Prata



Pantone Black 6 C



Pantone 199C



Pantone Cool Gray 5 (Metálico - Efeito Prata)



Pantone 227 C Prata



Pantone 7460 C Prata



Pantone 166C Prata



Pantone 227 C



Pantone 541C



Pantone Black 6 C



Pantone 199C



Pantone Cool Gray 6 (Metálico - Efeito Prata)