



# STRAUSS GROUP

March 14<sup>th</sup>, 2018

Q4 & FY 2017 Earnings Presentation



# Disclaimer

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# GAAP to Non-GAAP Reconciliations

In addition to reporting financial results in accordance with generally accepted accounting principles (GAAP), the Company provides non-GAAP operating results which include the results of jointly controlled entities as if they were proportionately consolidated. Strauss Group has a number of jointly controlled companies: the Três Corações joint venture (3C) - Brazil (a company jointly held by Strauss Group (50%) and by the São Miguel Group (50%) in Brazil), Sabra Dipping Company (a 50%/50% JV with PepsiCo in the U.S. and Canada), Strauss Frito-Lay Ltd. (a 50%/50% JV with PepsiCo Frito-Lay in Israel) and PepsiCo Strauss Fresh Dips & Spreads International (a 50%/50% JV with PepsiCo outside the U.S. and Canada)<sup>(1)</sup>.

In addition, non-GAAP figures exclude any share-based payments, mark to market of commodity hedging transactions as at end-of-period, other expenses or income and taxes referring to these adjustments.

Company Management believes that these measures provide investors with transparency by helping to illustrate the underlying financial and business trends relating to the Company's results of operations and financial position and comparability between current and prior periods. Management uses these measures to establish and monitor budgets and operational goals and to evaluate the performance of the Company. Please see the GAAP to non-GAAP reconciliation tables in the Company's MD&A Report for a full reconciliation of the Company's GAAP to non-GAAP results.

(1) In Q4'16 the subsidiary Strauss Water signed a series of share exchange and transfer agreements with companies of the Haier Group, as well as a joint venture agreement, with the aim of restructuring the Haier Strauss Water joint venture in China. The change in respect of the above agreements was reflected in the non-GAAP reports commencing in the third quarter of 2015. For further information, see Note 12.6 to the Consolidated Financial Statements as at December 31, 2015.





# Gadi Lesin Strauss Group C.E.O.



Click to  
view movie



# 2017

Another Year of Progress with Strong, Sustainable, Profitable Growth A Solid Execution

2017 Sales:

**NIS 8,492**

(Million)

Constant Currency Organic  
Sales growth 2017 :

**8.0%↑**

(Excluding HSW)

2017 EBIT:

**NIS 780**

**+4.8%**

2017 Net Income:

**415**

**+23.7%**

EPS 3.7 +18.8%

2017 Stock Performance:

**+25%**

Net Debt / EBITDA:

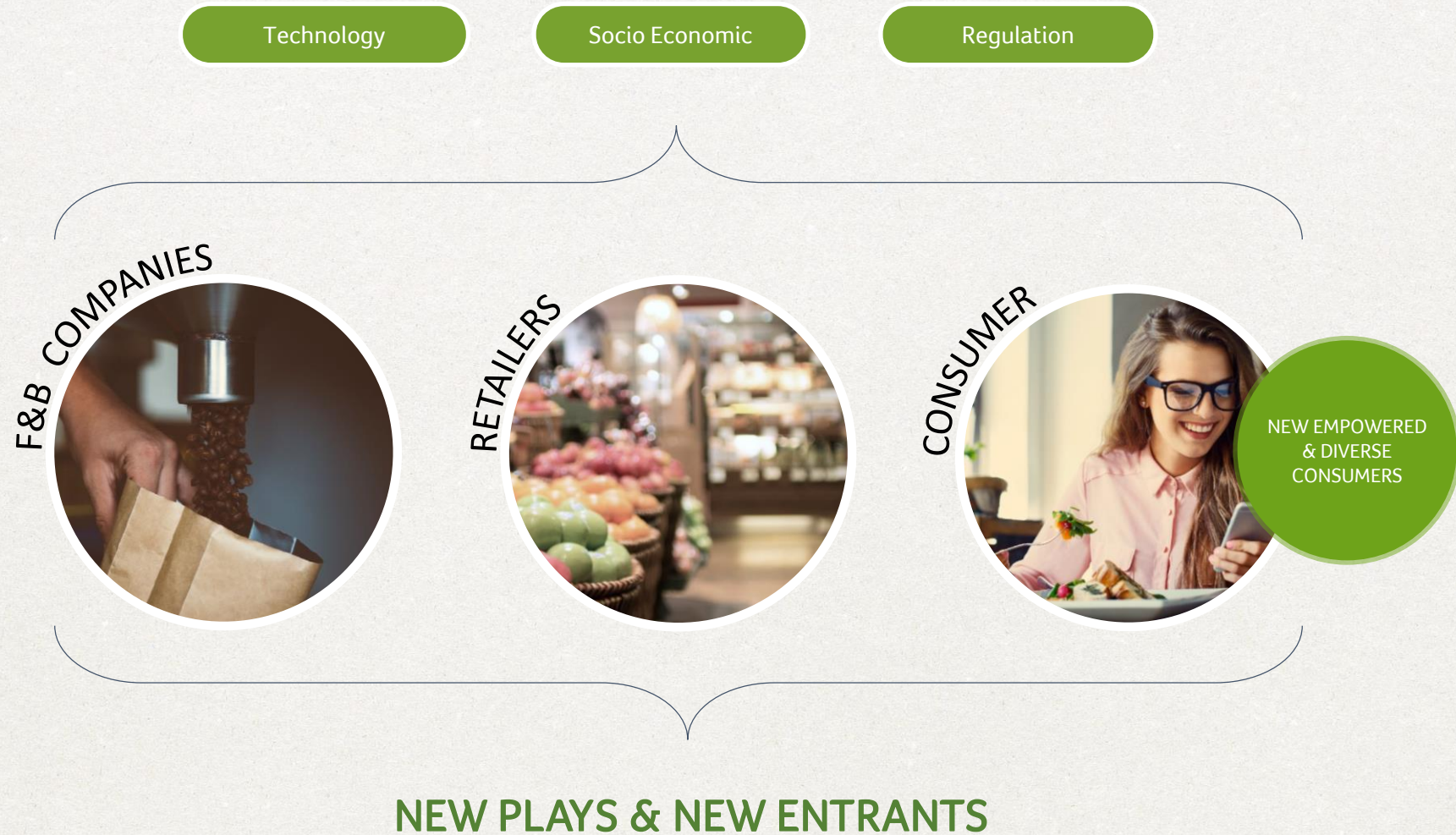
**2.0x**

Non GAAP 2017 figures





# The traditional F&B industry is reshaping





# Consumer Landscape Is Shifting Rapidly

How Consumers  
Make choices



New data sources

Social networks

Price transparency

How Consumers  
Get their food



e-Commerce

Last mile

Click & Collect

The way Consumers Prepare  
food/ eat



Snacking

AFH

Solutions

What consumers eat



Health & Nutrition

Fragmentation &  
Personalization



# Major forces reshape the food retail industry





# STRAUSS IS WELL POSITIONED TO ADDRESS THESE GLOBAL MARKET CHANGES

ICONIC BRANDS | HEALTHY PORTFOLIO FOR BALANCED EATING

Apprx 1/4

**FUN FOR YOU**



Apprx 3/4

**GOOD FOR YOU**

11% Nutritious Dairy  
15% Plant Based  
52% All Natural Beverages



# GREAT PORTFOLIO OF SNACKS & CONVENIENT PRODUCTS

## Snacking



## Convenient solutions



Favorable consumer trends

Highly correlated with GDP growth

Low private label penetration



# WE ARE A SIGNIFICANT PLAYER

IN GROWTH CATEGORIES...



Gluten Free



Ethnic



Health & Wellness



Fresh



Water



Organic



Snacking



Emerging Markets



Coffee

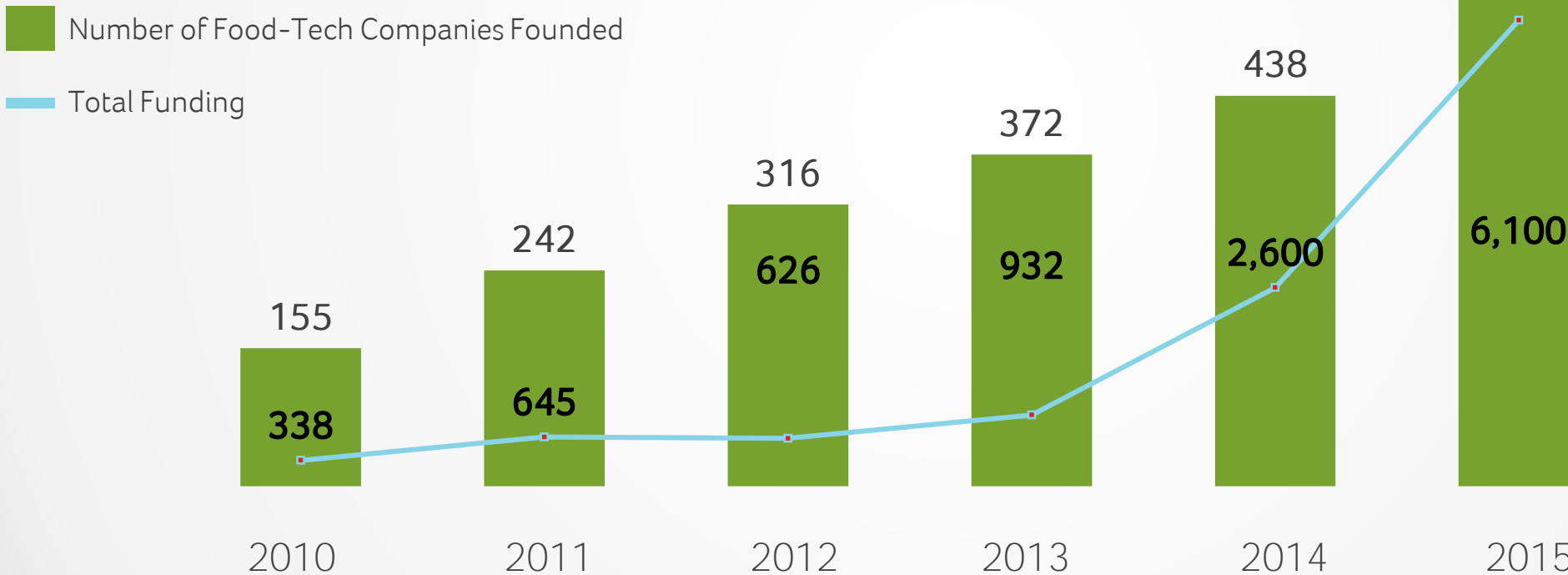
... And are well positioned to partake in these pockets of growth



# INVESTMENTS IN FOOD

Related startups are skyrocketing

Yearly Funding of Food-Tech Companies



Source: Tracxn's Food Tech Report



# WE ARE WELL ESTABLISHED

IN THE TECH & INNOVATION JOURNEY

alpha



Sesame next generation



New consumption offering



YoFix

*The Kitchen*  
FoodTech Hub



DLR  
Deep Learning Robotics

DIGITAL



Strauss +



No preservatives



New Devices



Meat the Future



Flying Spark

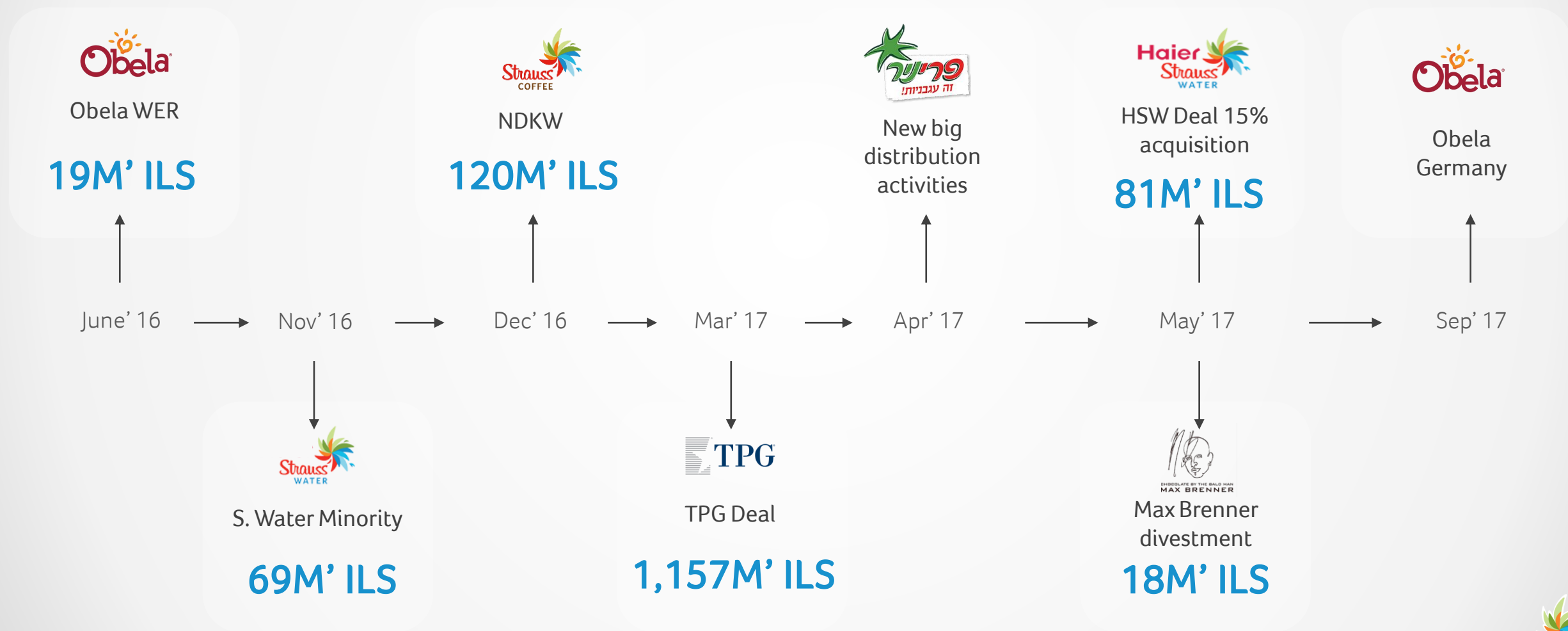


MK FRESH



# PORTFOLIO MANAGEMENT

FOCUSING ON OUR CORE ACTIVITIES | OUR M&A JOURNEY OVER THE PAST 18 MONTHS







**GREAT  
PROGRESS,  
BUT MORE  
TO DO....**

## **Where we've delivered**

- Israel
  - Coffee
  - Water
  - Portfolio management
  - Net debt management
- 

## **Areas of improvement**

Profitability at Sabra



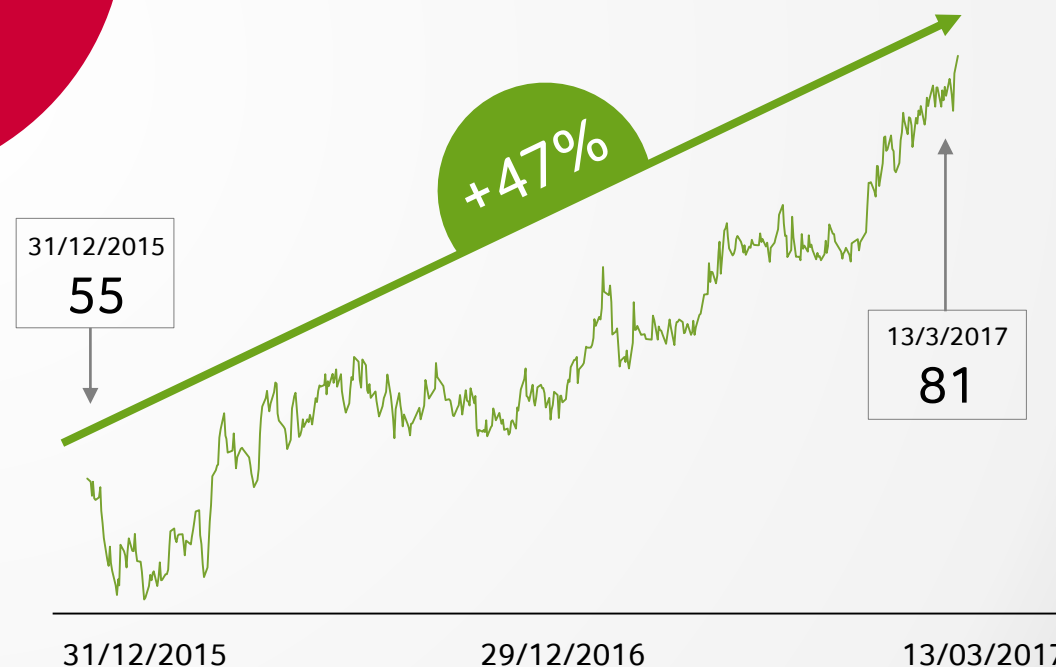
WE ARE WELL POSITIONED TO CAPTURE THE OPPORTUNITY

# WE ARE IN A GREAT MOMENTUM



Thank you for  
your Trust

SG Stock - Adjusted Closing Price





A man and a woman are sitting at a table, smiling and eating spaghetti. The man is on the left, wearing a grey t-shirt, and the woman is on the right, wearing a blue top. They are both looking down at their plates. The table has white bowls and plates, and there are glasses of water. The background is a plain wall.

# Shahar Florence

Strauss Group C.F.O.



# Q4

Another Quarter of Progress with Strong, Sustainable, Profitable Growth A Solid Execution

Q4 2017 Sales:

**NIS 2,157**

(Million)

Constant Currency Organic  
Sales growth 2017 :

**10.2%↑**

(Excluding HSW)

2017 EBIT:

**NIS 149**

**+10.4%**

2017 Net Income:

**77**

**+34%**

2017 EPS

**0.67**

**+26%**

Net Debt / EBITDA:

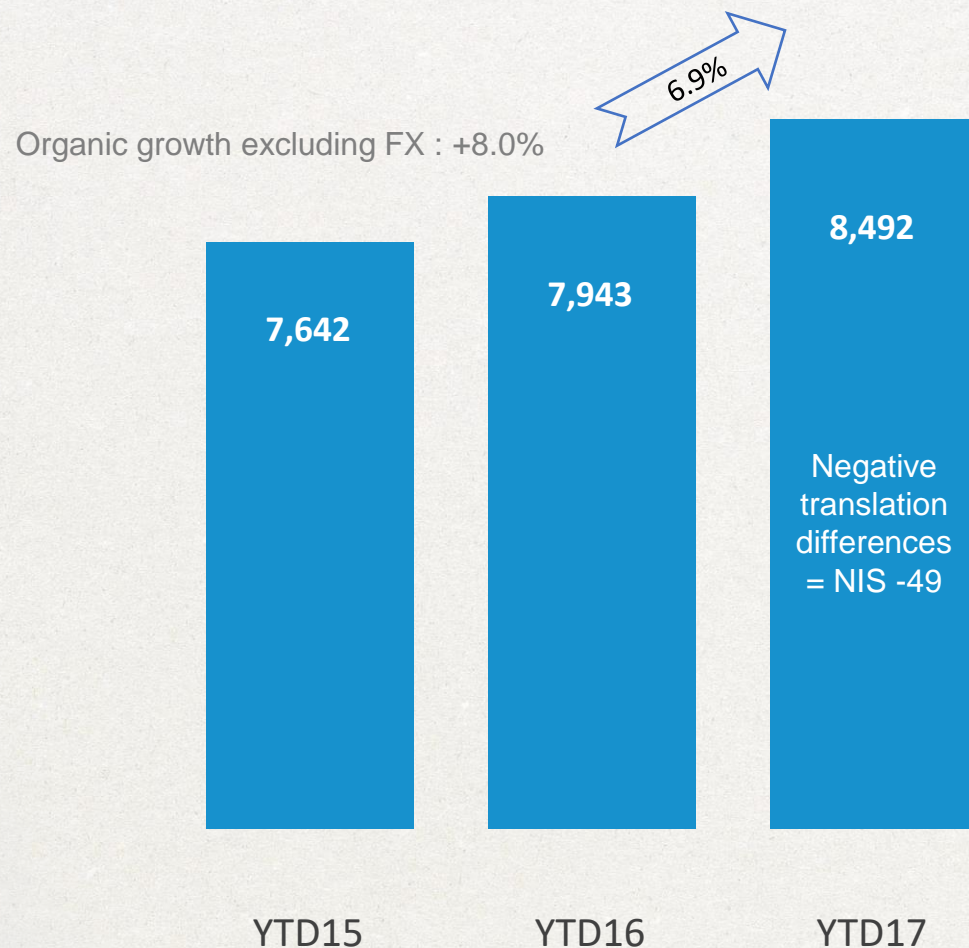
**2.0x**



# Sales Grew 6.9% In 2017

continued outperformance of f&b market

ytd 2017 consolidated sales nis mm; non-gaap



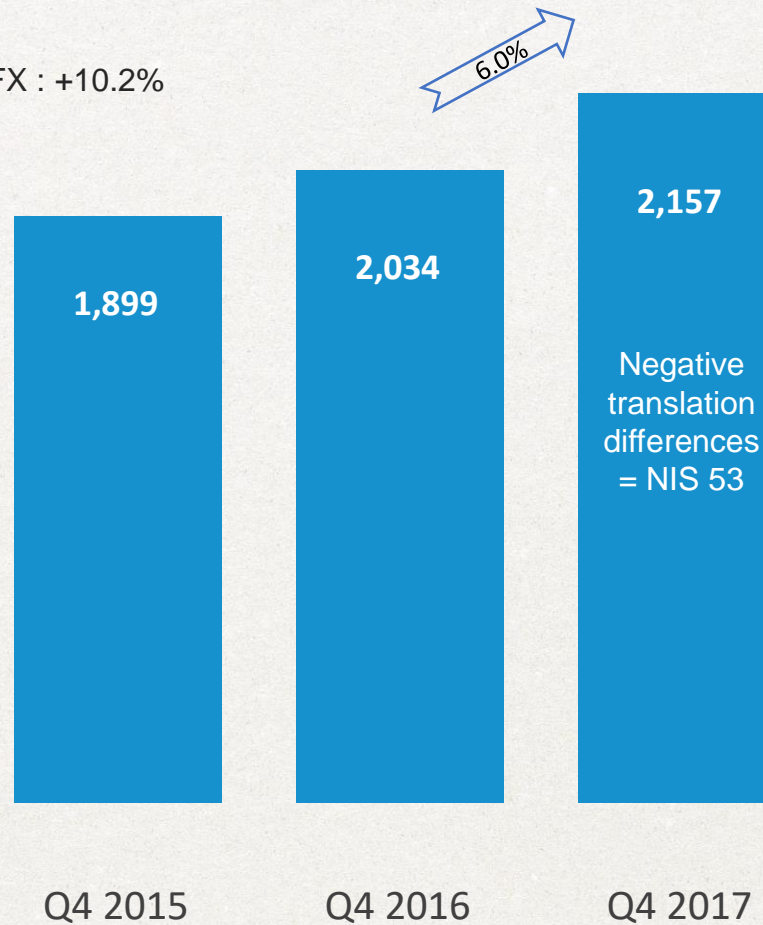


# Strong Organic Sales

Growth Continues 6.0% in Q4

Q4 2017 Consolidated Sales NIS mm; Non-GAAP

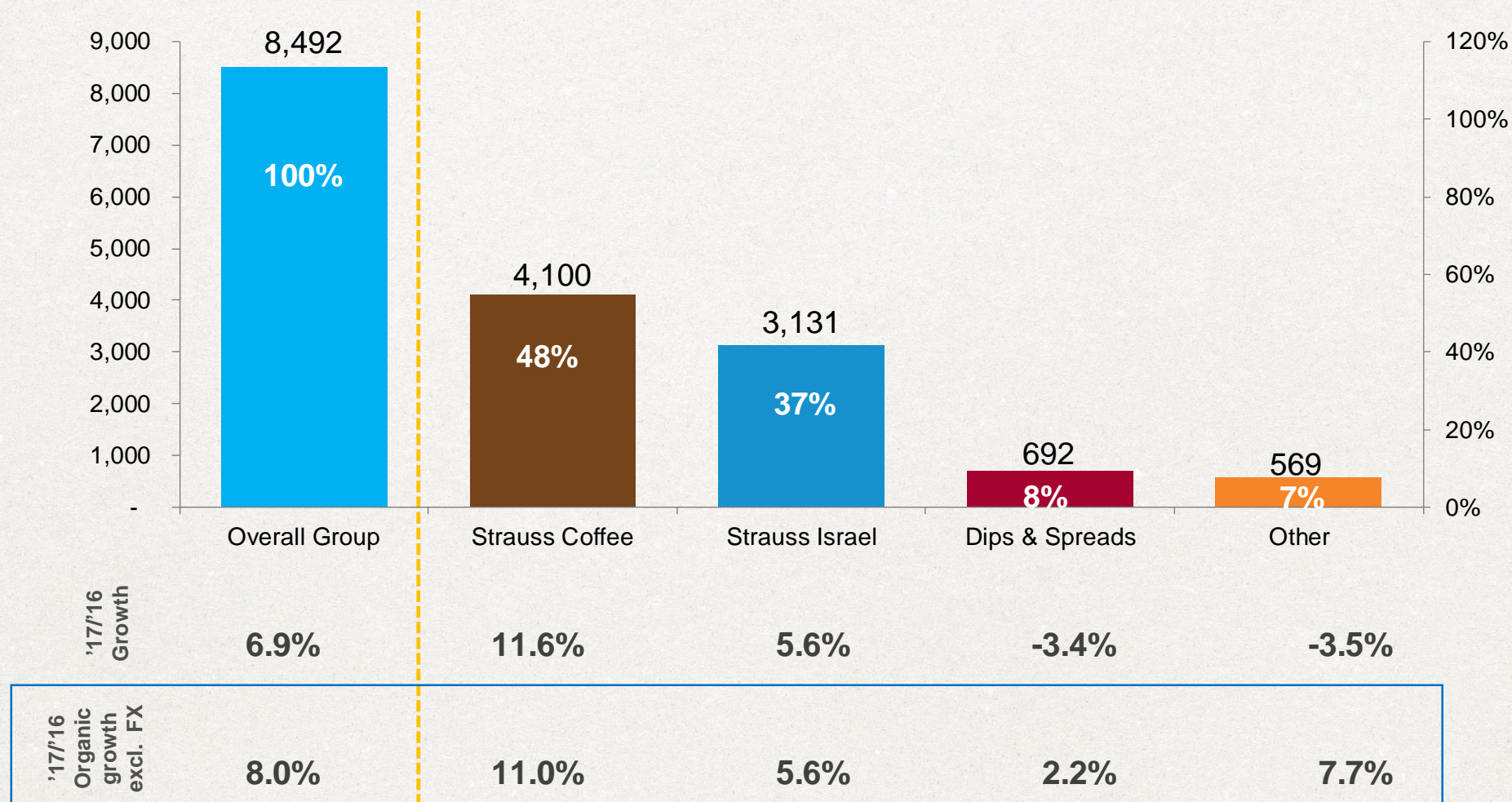
Organic growth excluding FX : +10.2%





# YTD 2017 Sales by Segment

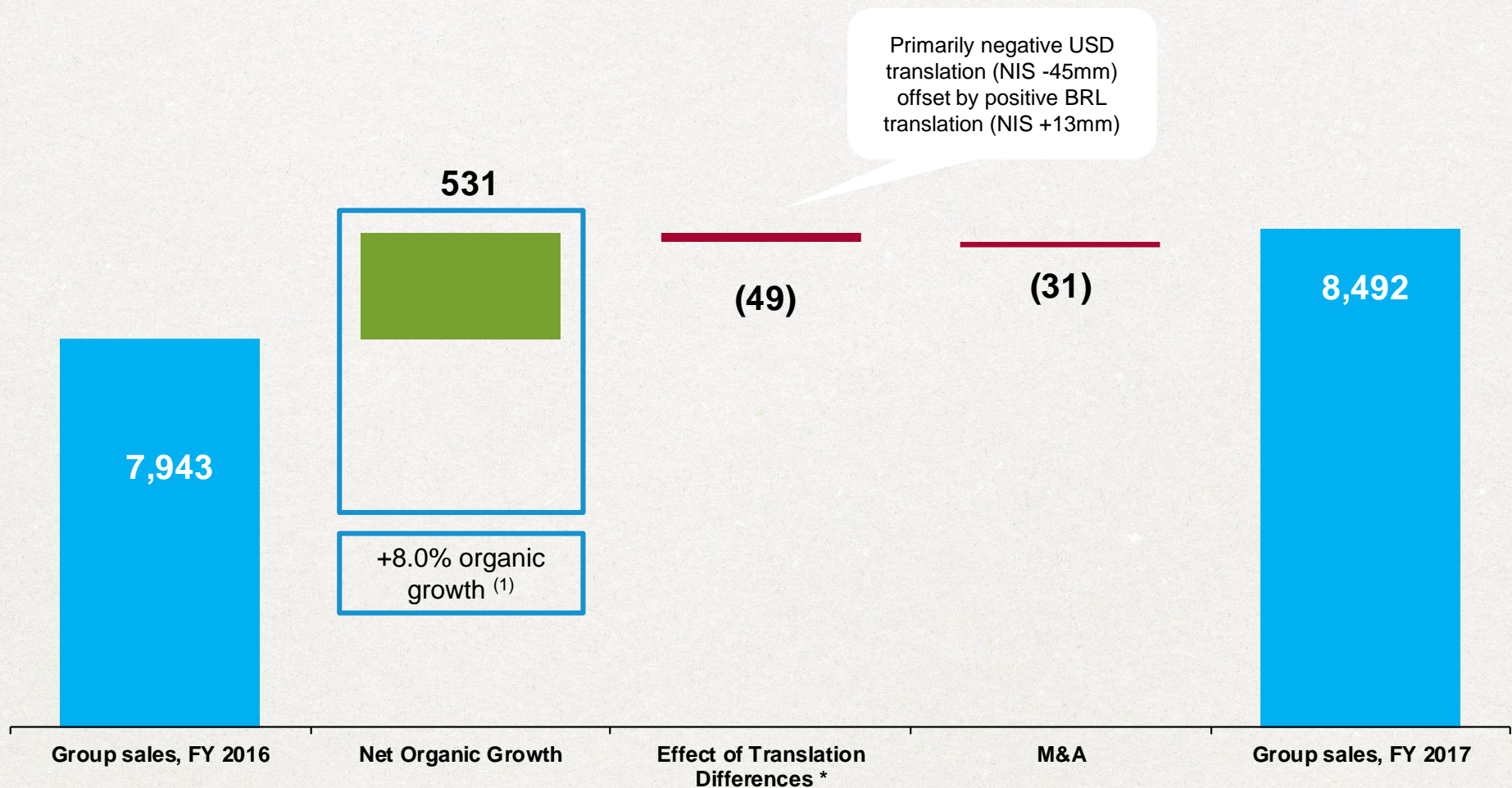
NIS mm; Non-GAAP; % sales contribution





# YTD 2017 Sales Bridge

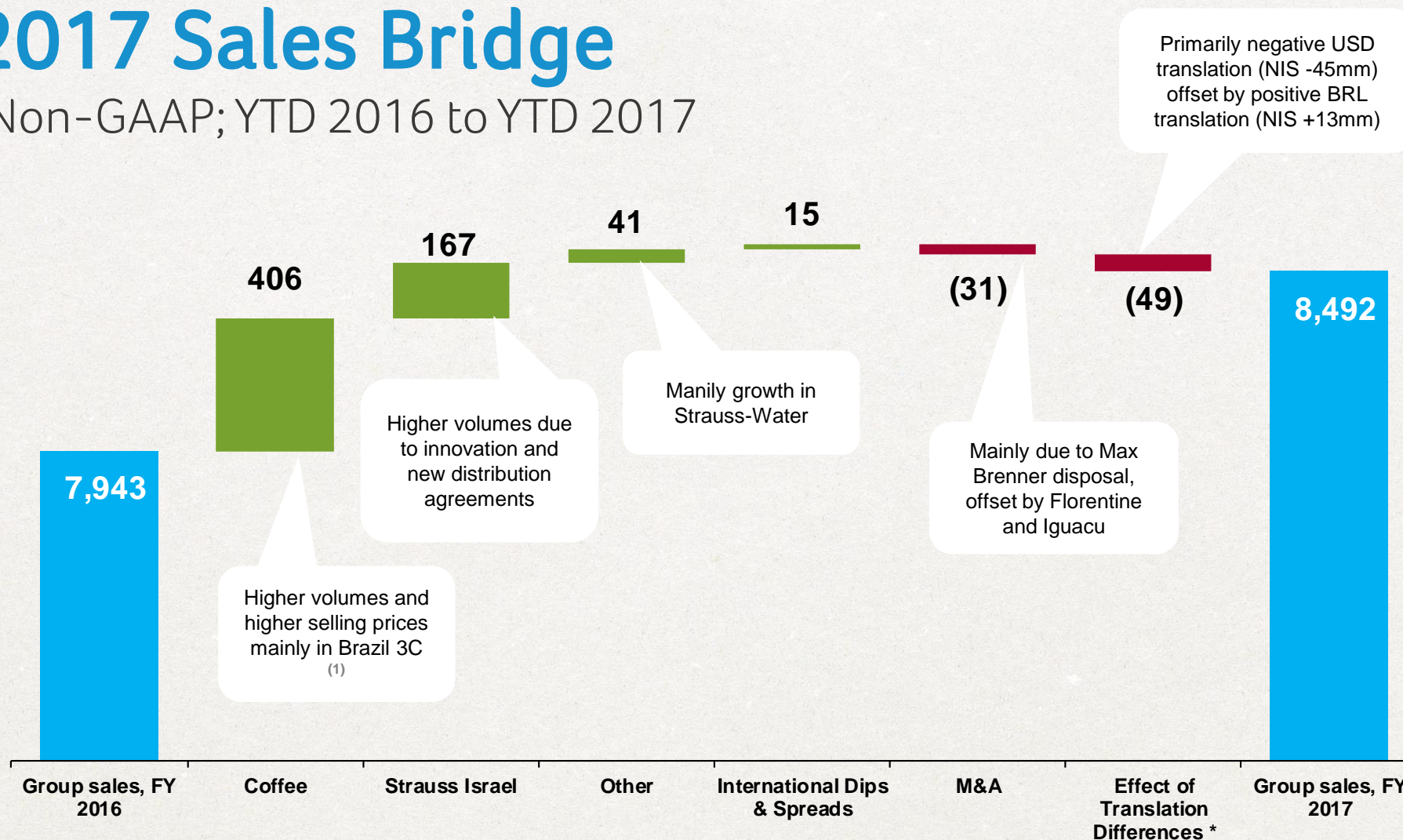
NIS mm; Non-GAAP; YTD 2016 to YTD 2017





# YTD 2017 Sales Bridge

NIS mm; Non-GAAP; YTD 2016 to YTD 2017

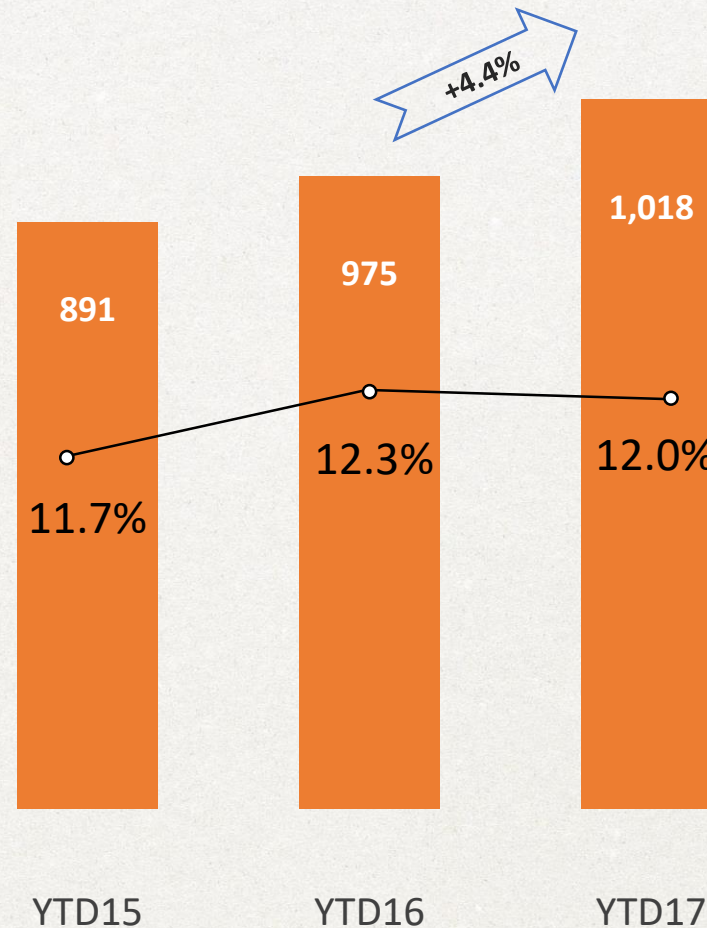


(1) Três Corações joint venture (Brazil): a company jointly held by the Group (50%) and by the São Miguel Group (50%) ("3C").



# YTD 2017 Consolidated EBITDA and EBITDA Margins

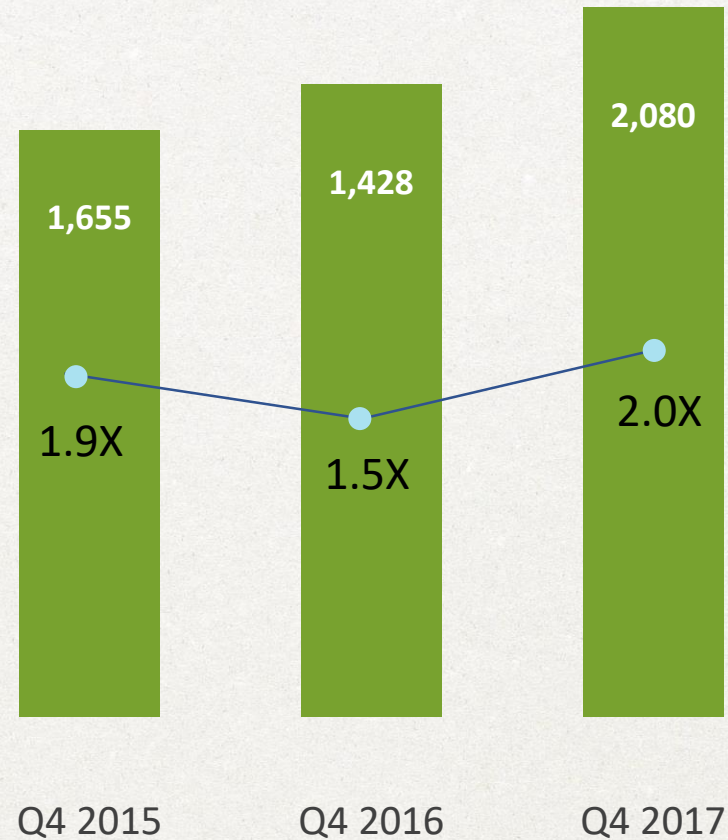
NIS mm; Non-GAAP





# Net Debt and Net Debt /EBITDA (LTM)

Non-GAAP EBITDA, net debt includes partnerships; NIS mm





# Strauss Israel

## Strong growth beyond F&B market continues

- Top line growth of 11.3% during the quarter continues to surpass growth of the overall Food & Beverage market which grew 3.8% during the quarter (1)
- Exceptional growth achieved among others, due to innovation and new distribution agreements
- Market share continues to expand to 11.9% at the end of the year
- Gross margins erode predominantly due to higher milk prices
- Innovation continues with new product launches
- We continue to focus on delivering healthier products with less sugar, salt and fat contents

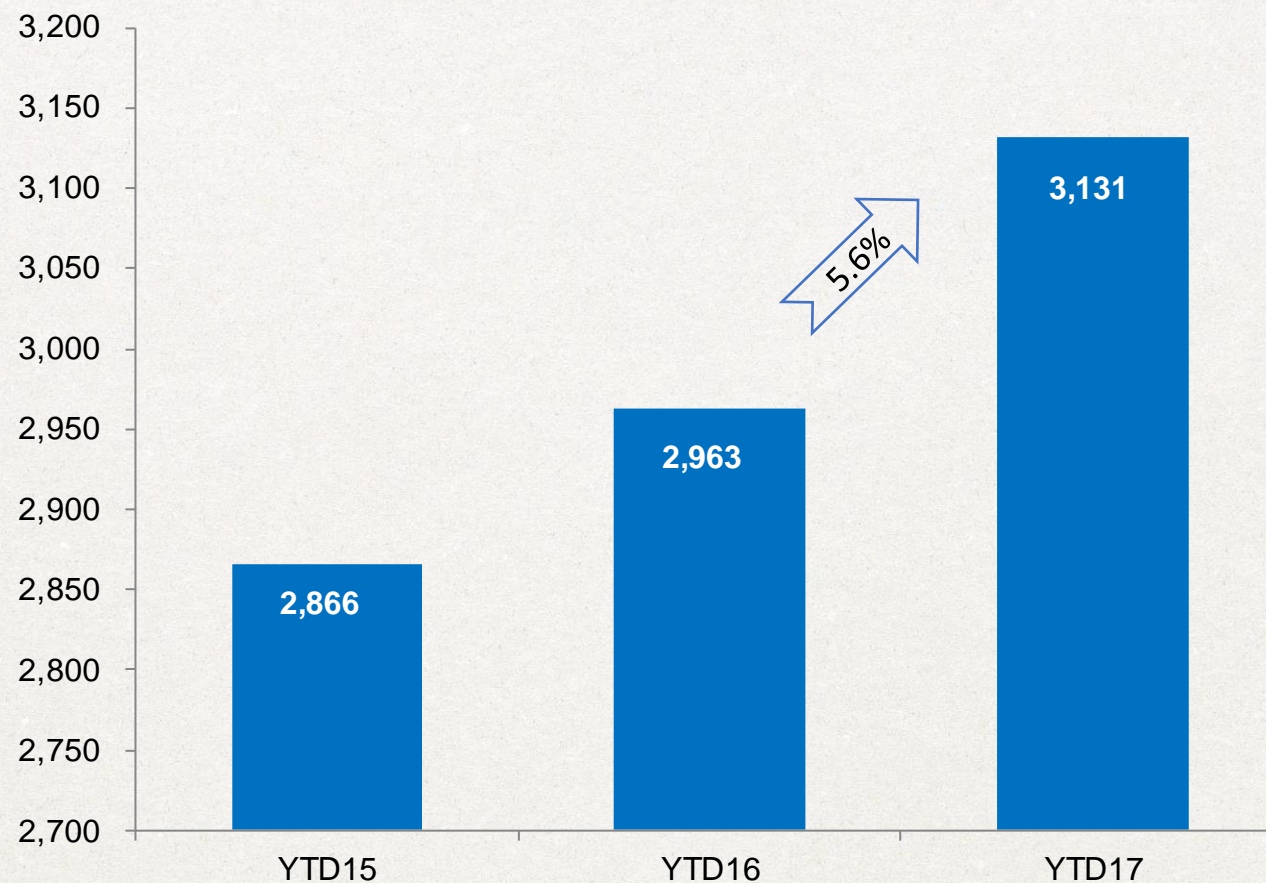


\* Source: Storenext



# YTD 2017 Strauss Israel Sales

NIS mm; Non-GAAP









Click to  
view PRO  
commercial



# Strauss Coffee

## 2017 Top Line Growth 11.6%

- Q4 top line grew 6.5% in local currencies
- Growth in 2017 is attributed mainly to increased volumes in Brazil, Israel and Russia and higher selling prices in some geographies (no price increase in Israel)
- Very strong performance in International Coffee sales; 13.2% top line growth
- Brazil 3C(1) continues to lead growth with 8.9% increase in local currency for the quarter and 19.8% for 2017
- Currency negatively impacted the quarter by NIS 42 million; mainly by BRL depreciation of NIS 37 million; for 2017 the currency impact was negligible with only NIS 1 million negative impact of which BRL had a positive impact of NIS 13M
- 3C(1) market share in Brazil R&G was at 25.3% (2) at the end of 2017

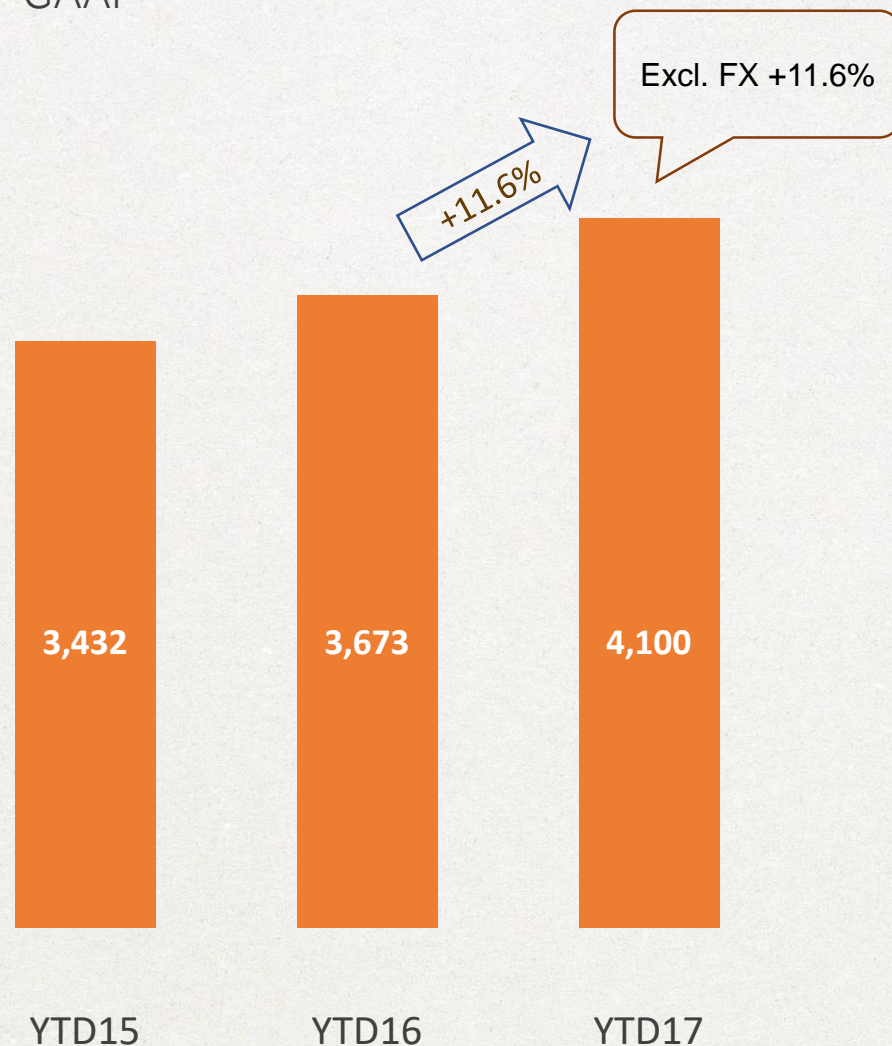


(1) Note: Três Corações joint venture (Brazil): a company jointly held by the Group (50%) and by the São Miguel Group (50%) (3C)  
(2) Source: Nielsen



# YTD 2017 Strauss Coffee Sales

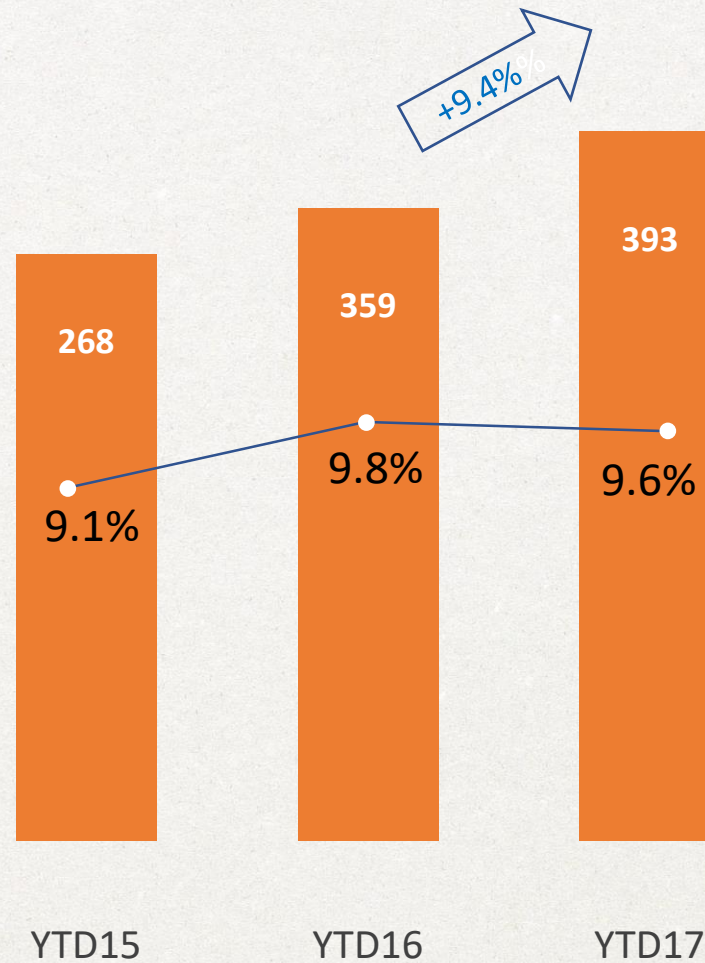
NIS mm; Non-GAAP





# YTD 2017 Strauss Coffee EBIT

NIS mm; Non-GAAP

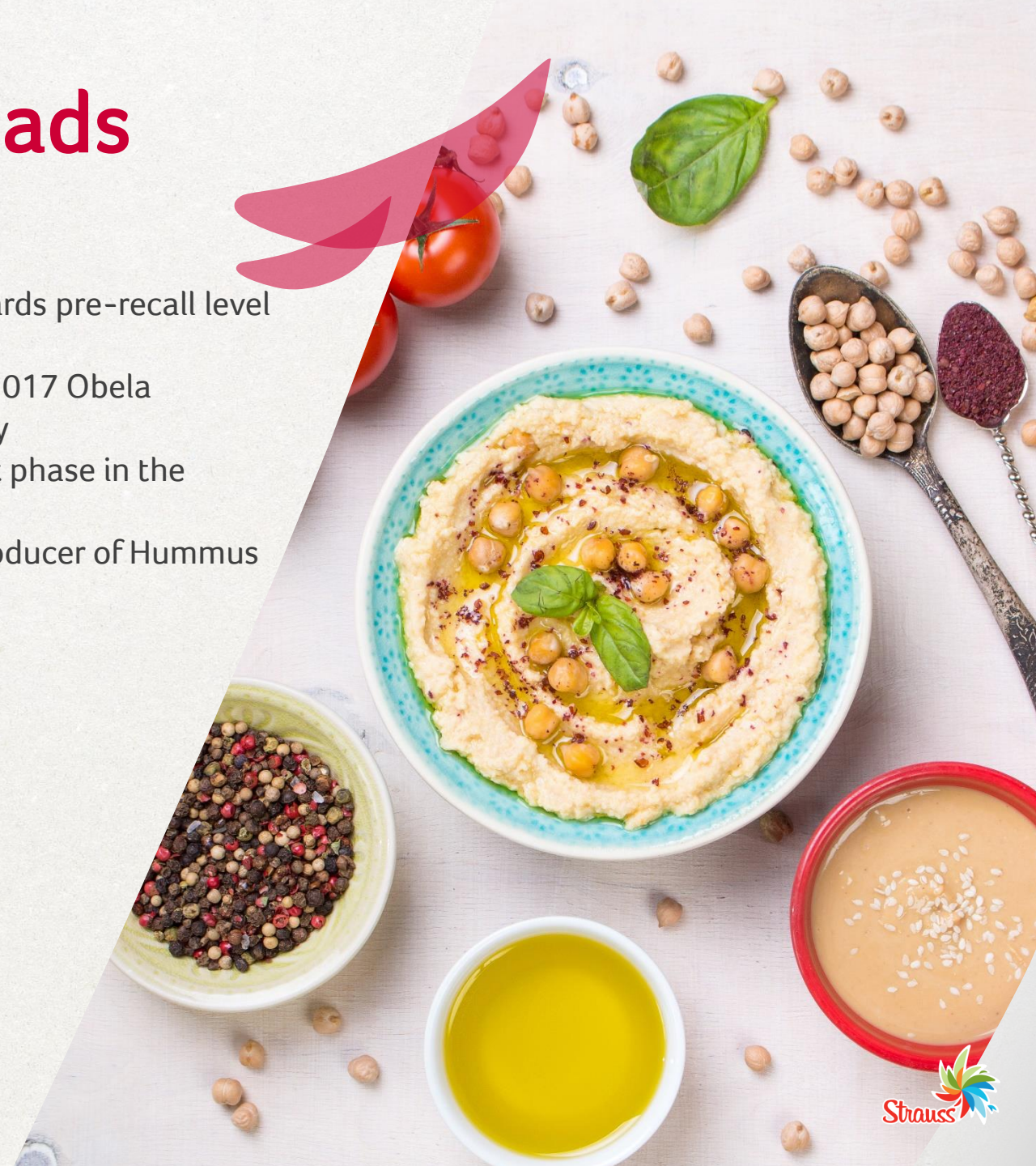


Strauss Coffee non-GAAP figures represent 50% share in Três Corações joint venture (Brazil).



# International Dips & Spreads

- Sales improve in Q4 by 24% after Q4 2016 recall
- Hummus market share in North America continue to rise towards pre-recall level and was at 56.5% at year end
- Obela operations in Australia continue to outperform and in 2017 Obela launched in two new geographies - New Zealand and Germany
- Obela started selling Hummus products in Germany as its first phase in the European penetration
- Sabra continues to be a global market leader and the no. 1 producer of Hummus in North America

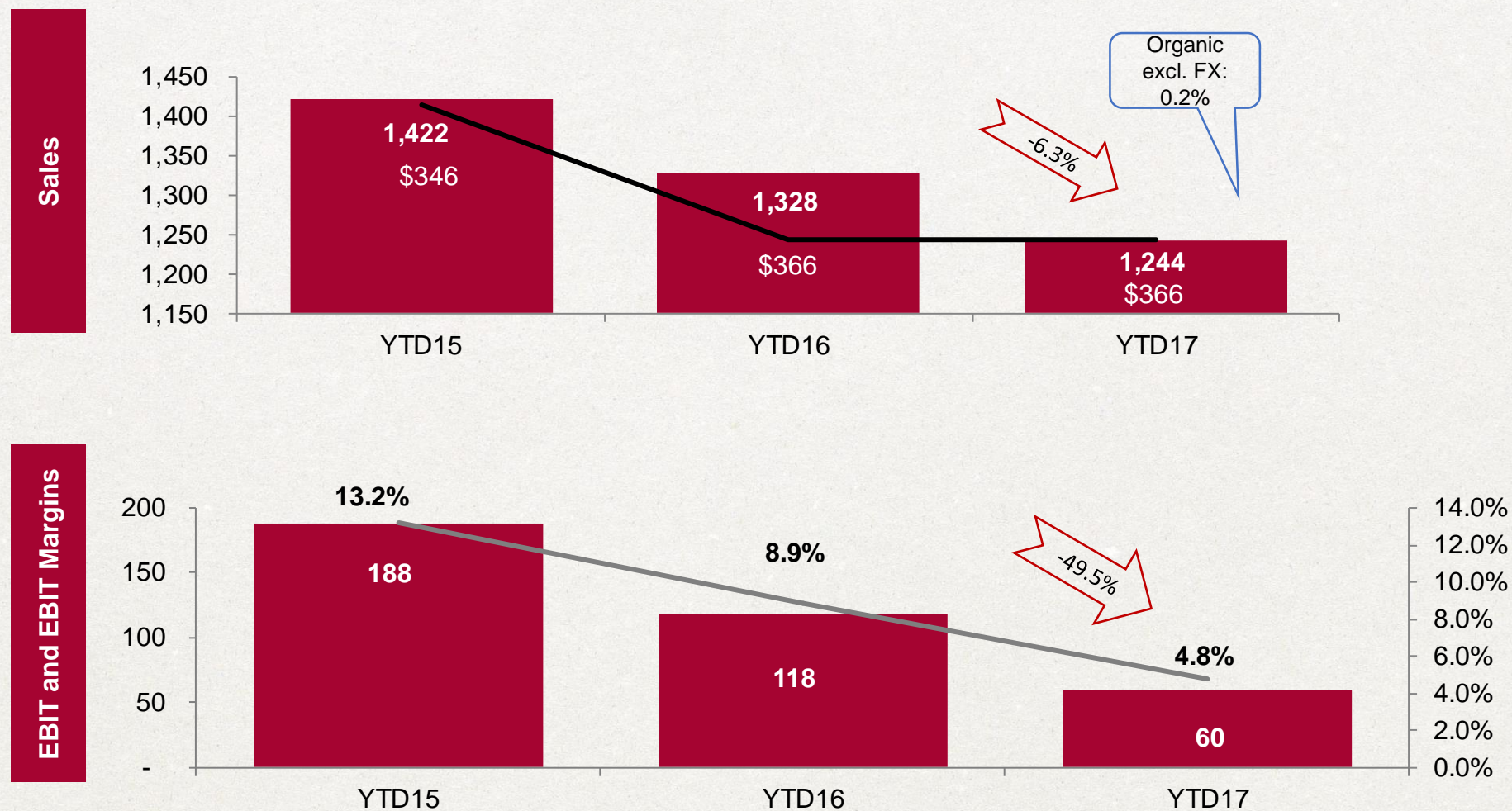




# Sabra YTD 2017 Snapshot



NIS mm; Non-GAAP; for 100% share



Note: Sabra Dipping Company ("Sabra") is a company jointly held by PepsiCo (50%) and Strauss Group (50%) .





# Strauss Water

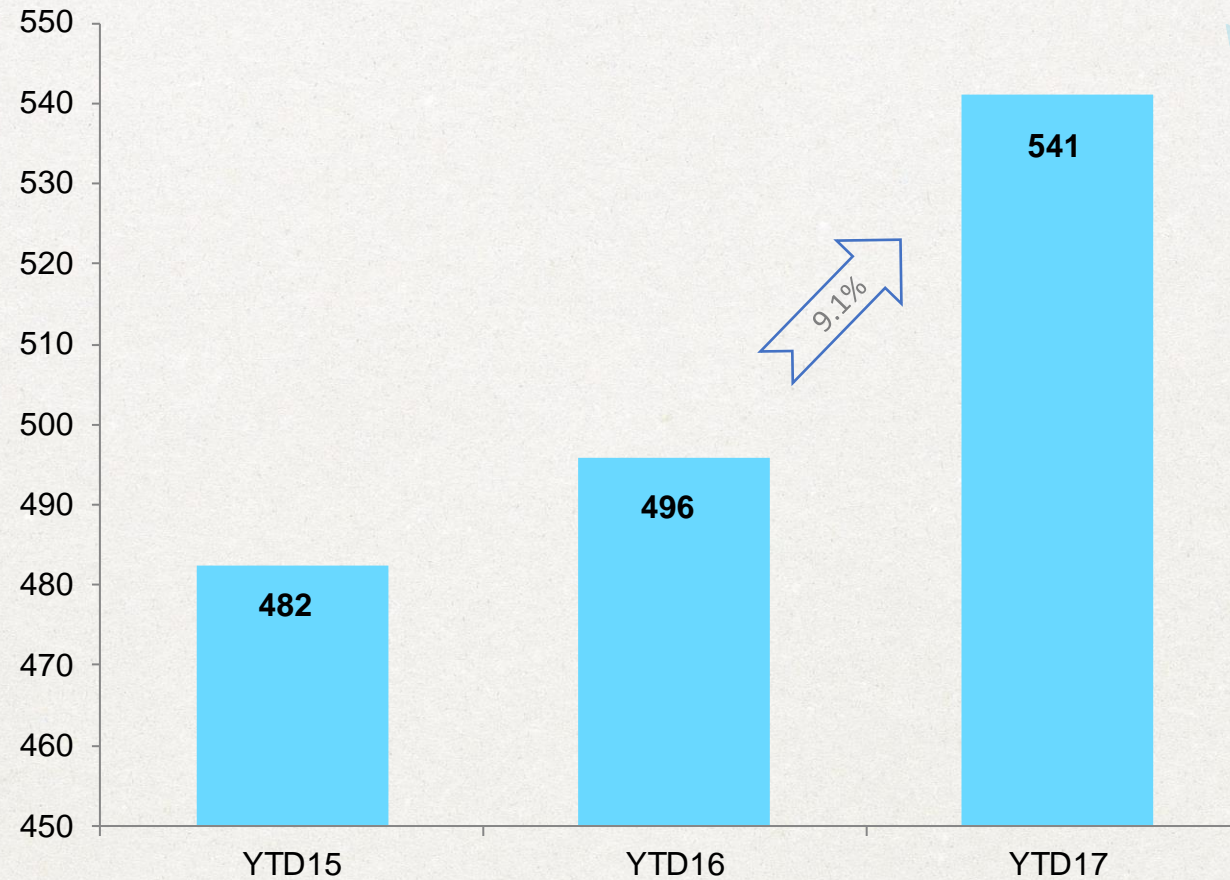
- In Q4 Strauss Water continued the strong momentum of the previous three quarters of 2017, both in Israel and at HSW (Chinese JV with Haier)
- Sales at Strauss water (excluding HSW) are up 9.3% during the quarter, due to increased sales in Israel
- During 2017 Strauss Water launched the Bubble Bar plus and the new Maze T technology
- Sales of HSW (100%), water JV in China, grew by 24% (31% excluding FX) in Q4 2017 to NIS 129 million up from NIS 104 million in Q4 2016 and by 44% in 2017 to NIS 505 million up from NIS 351 million in 2016 (55% excluding FX)
- Net profits at HSW doubled during the quarter to NIS 17 million compared to NIS 9 million in Q4 2016 and up 95% in 2017 to NIS 56 million compared to NIS 29 million in 2016





# YTD 2017 Strauss Water Non-GAAP Sales

Non-GAAP; NIS mm





The image shows a close-up of a light blue ceramic bowl filled with cooked quinoa porridge. The porridge is topped with several fresh blueberries and a slice of peach. A small sprig of mint is also visible. In the background, there is a white bowl filled with more blueberries. The scene is set on a wooden surface. A semi-transparent white graphic element, resembling a stylized leaf or petal, is overlaid on the right side of the image.

# Gadi Lesin

Strauss Group C.E.O.



# STRONG HOME BASE IN ISRAEL

Corporate brand & reputation



Over 4bn in sales

11.9%  
Retail MS

Approx.  
75%

13K  
Selling Points

Engaged Employees

~7,400  
Employees

#8

“Israel best working place” 2016

Amazing Partners



Outstanding Brands in Multiple Categories





# OUTSTANDING INT'L BUSINESSES WITH OUR PARTNERS



**sãoMiguel**

**4,170**

IN REVENUES  
(NIS, M, 2017)

**\*19.8%**

Revenues Growth  
(2017/2016)

**#1**

Competitive  
Position\*\*

**Sabrá Obela**

 **PEPSICO**

**1,384**

IN REVENUES  
(NIS, M, 2017)

**\*2.9%**

Revenues Growth  
(2017/2016)

**#1**

Competitive  
Position\*\*

**Haier  
Strauss  
WATER**

**Haier**

**505**

IN REVENUES  
(NIS, M, 2017)

**\*55.2%**

Revenues Growth  
(2017/2016)

**#4**

With edge to become  
Market leader\*\*

\* In local currency | \*\*source: Nielson, IRR, CMM



# Investment Thesis

- Strong Sustainable growth
- We play in the right categories in a rapidly changing consumer environment
  - Snacking
  - H&W
  - Water
  - Coffee
- Portfolio of Iconic brands
- Market share leaders
- A strong home base in Israel
- And growing businesses globally
- Solid financial performance
- Exceptional returns to shareholders





Thank You

