LINDT & SPRÜNGLI

TRANSCRIPT OF WEBCAST PRESENTATION ON TUESDAY 22 JULY 2025

LINDT & SPRÜNGLI HALF-YEAR 2025 RESULTS

Slide number & title

1. **Opening Chart (no title)**

2. **Half-Year Results 2025** (cover slide)

Ladies and Gentlemen, it is our pleasure to welcome you to the Lindt & Sprüngli Half-Year Results conference call and webcast. My name is Martin Hug, Group CFO and with me today is our Group CEO, Adalbert Lechner.

The presentation and a transcript of our prepared comments will be uploaded to our website this morning.

The presentation will take approximately 15 minutes. Following the presentation, we will hand over to the operator, who will then manage the Question-and-Answer session.

3. **Agenda**

The agenda points of the presentation can be seen on this chart and include:

- some of this year's highlights to date,
- a detailed review of the first half,
- our expectations for the full year and the medium to long term,
- and a chance for you to ask questions

For this call, we do not have any major update on sustainability. I would also like to refer you to the disclaimer at the end of this slide deck.

To kick us off, I hand over to our Group CEO, Adalbert Lechner, who will take you through some key trends and highlights we saw in the first half of 2025.

4. **Trends and Highlights** (section slide)

Good morning, Ladies and Gentlemen, welcome everyone also from my side to the Lindt & Sprüngli Half-Year Results conference call and webcast.

Let me start by saying that I am proud of what our teams achieved in the first half of the year. We have shown resilience in a challenging market environment, which demonstrated the loyalty of our consumers. Let's dive into what we dealt with.

5. **Global chocolate market and trends**

The development of the global chocolate market in the first half of 2025 was a continuation of what we saw in 2024. With cocoa prices remaining close to record highs, the market was impacted by price increases, and we saw a reduction in volume with an increase in value globally. In this situation, both ends of the market profited, private label on the one side and premium products on the other. Private label products gained market shares with price sensitive consumers. Lindt's premium positioning and strong presence in seasonal and gifting items also enabled us to defend and grow market share.

Martin will get into more detail about the cocoa price later on. As it stands today, from what we see, the new season's crop is looking better, and the experts are forecasting a surplus. We are also seeing demand reduction due to the mentioned volume declines, which puts further pressure on the cocoa market. That being said, plant diseases continue to affect cocoa farms in West Africa and the overall situation remains volatile.

Looking at global consumer trends, we see that mindful indulgence continues to gain traction, a trend we are uniquely positioned to capture with core products like Lindor which is designed as a small, and high-quality treat. Also, our dark Excellence chocolate tablets cater to this consumer need. This trend goes hand in hand with an ongoing shift towards premiumization, especially when it comes to gifts for loved ones, and consumers also like to treat themselves to an exclusive product like our Dubai Style chocolate.

6. Global launch of the Lindt Dubai Style Chocolate

What started as a social media hype, resulted in one of the most spectacular product launches by Lindt, with fans waiting in line to purchase a limited-edition hand-made bar of Lindt Dubai Chocolate. This is now a standard product that we can make available at scale through our wholesale partners. Starting in December last year, we rolled out our Lindt Dubai Style chocolate in all our key markets in Europe and beyond, and in the second half of this year, we will also offer Dubai Style Chocolate products in the US, both through our Lindt brand as well as Ghirardelli and Russell Stover.

With Dubai Style Chocolate, we manage to reach new and younger consumer groups, which drives brand awareness and will fuel our future growth across our product range.

7. Prominent opening of the first UK Flagship Store

In March, we opened our first UK Lindt flagship store at Piccadilly Circus in London with Lindt brand ambassador Roger Federer cutting the ribbon. It's a perfect demonstration of our successful retail model: At Piccadilly, in the very heart of London, we secured a prime location with 80 million people passing by our shop windows below the iconic curved Piccadilly lights every year. In this flagship store, local shoppers and tourists alike can truly experience the Lindt brand and watch our Lindt Master Chocolatiers in action.

With similar successful openings and a strong performance in our existing stores, our Global Retail division experienced strong growth of 22.1%, in the first half of this year, supported by lower price elasticity. By the end of June, the store network has reached 590 stores worldwide, 60 stores more than one year ago and we have more exciting plans in the pipeline.

8. The world's most valuable chocolate brand

With that, I come to one of our most recent highlights. As you may have heard, Lindt was named the world's most valuable chocolate brand in the 2025 Kantar brand ranking for the first time. Kantar is one of the world's leading marketing data and analytics businesses. Among 21,000 brands that were evaluated across 532 categories and 54 markets, Lindt also ranked eighth in the global Food & Beverages category. This achievement is based on our strong and enhanced brand equity, driven by continuous brand support, clear premium positioning, and a consistent focus on quality, all of which resonate with consumers and drive long-term growth.

9. Review of Half-Year 2025 (section slide)

Despite a difficult global operating environment with declining volumes in the global chocolate market, sharply rising costs for cocoa and the need to again implement price increases, Lindt & Sprüngli was able to continue its successful sales growth trajectory, surpassing our top line guidance at half year and delivering in-line with our guidance on profit.

In addition to implementing price increases, we have continued to implement projects in all regions that drive efficiencies and cost savings. Price increases coupled with those cost savings projects are the key drivers for the positive operating profit development that we expect for the full year.

Overall, we are pleased with our progress and remain optimistic about our future prospects.

10. Overview – Half Year 2025

Before I begin, those of you who are new to Lindt & Sprüngli should consider the seasonal and gift-oriented nature of our premium chocolate business. This seasonality means that our sales are skewed towards the second half of the year, with approximately 60% of sales in H2. However, it is important to remember that the first-half of the year absorbs close to half of our annual fixed costs. As a result, sales, profitability and free cash flow, are always lower in the first half than the second.

That said, the Lindt & Sprüngli Group has made a solid start to the year.

Organic sales in the first six months achieved a growth rate of +11.2% which is above our guidance provided in March 2025 of +7% to +9%.

EBIT came in at CHF 259 million delivering a first-half EBIT margin of 11.0%, which is in line with our H1 EBIT margin guidance of between 10% to 12%. This margin was impacted by higher cocoa material costs, partially offset through efficiency gains in personnel costs, operating costs and price increases to our customers.

Net income was CHF 189 million with a net income margin of 8.0%.

Free cash flow came in negatively with CHF -80 million in the first six months, a decrease over the first half of 2024. The key reason for this decrease was the increased value of the inventory as of end of June. Higher cocoa bean prices lead to this increase in raw material and finished goods inventory values. This is a one-time effect, I will go into more detail on this later in the presentation.

Our net debt position increased from CHF 880 million at the end of 2024 to CHF 1.4 billion. This balance is slightly higher than a year ago when net debt was at CHF 1.3 billion. One driver of this net debt increase, alongside our lower free cash flow was our share buyback program which is well advanced and which we will finish at the latest by mid next year. Excluding the lease liability, which is included in the overall number, our net debt position is approximately CHF 1 billion, compared to our EBITDA which is again expected to come in above CHF 1 billion in 2025.

We still have a very strong balance sheet with an equity ratio of 55% compared to 52.8% at the end of 2024.

11. Sales Growth in CHF

Total sales reached CHF 2.35 billion in H1, with growth in Swiss Francs of +9.0%.

12. Organic Sales Growth

First-half sales grew by a solid +11.2% organically. Cumulatively, we have grown more than +60% over the last five years in the first half, a CAGR of +11.5%. Europe in particular, posted an excellent result with +17.7% organic growth.

With strong price inflation, sales volumes in the global chocolate market have declined by around -5%. Despite these market conditions, our brands show strength and resilience, growing value and volume market share in most key markets. Low price elasticity, especially in Europe led to a volume/mix decline of -4.6% which is better than we had originally anticipated.

13. Sales Analysis – Growth Drivers

Price increases of +15.8% were in line with the double-digit increase we communicated in March. Due to significantly higher input costs for cocoa, double digit pricing actions were required to be taken in all markets over the last six months. Bear in mind that not all price increases in all subsidiaries were implemented on January 1, so in the second half we will see an even higher effect of the implemented price increases.

Volume/mix was negative, slightly better than we expected, with a decline of -4.6%, however, the price elasticity varied region by region. In Europe, we experienced a low-price elasticity in the first half across all markets.

On the other hand, in North America, a weak consumer sentiment led to a volume decline in the category and to a lesser extent in our business.

Reported sales in Swiss Francs rose by 9.0%. The currency effect had a negative impact of -2.0%, - in particular due to the weakening of the US dollar and the Euro – while the discontinuation of a distribution agreement with a confectionary brand in Canada at the end of 2024 had an impact of -0.2%.

I now hand over to Martin, who will take you through the results in further detail.

14. Sales Analysis – Segment information

Thanks Adalbert. I will now start with the regional sales analysis.

On the following slide, I would like to give you an overview of the sales performance by segment.

- **Europe**

In the first half of 2025, the "Europe" segment, where we generate almost half of the Group's sales, saw an increase in organic sales by an outstanding +17.7%. All European Lindt & Sprüngli subsidiaries achieved double-digit growth, with the strongest developments of more than +20% in the Nordics, Benelux, Central Eastern Europe, France, and Austria. The European region benefited from lower price elasticity and higher brand loyalty from consumers.

- **North America**

The "North America" segment showed organic sales growth of +3.6%, behind expectations due to weak consumer sentiment. All subsidiaries in North America continued to grow with the exception of Russell Stover, which faced a higher price elasticity than the other North American companies. Despite the challenging market environment in the US, Lindt & Sprüngli grew overall significantly market share. The North American segment is expected to accelerate growth in the second half of the year compared to the +3.6% in the first half, driven by strong activation plans, promising seasonal sales and innovations.

Rest of the World

In the Rest of the World segment, we grew by +7.8%.

Notably, the subsidiaries in Japan, Brazil, South Africa and China achieved double-digit growth rates. Japan and Brazil, both countries with strong Lindt store networks, benefited from lower price elasticities in retail stores.

There are many large traditional chocolate markets within the rest of the world where we see significant premiumization potential for Lindt. As a result, we are convinced that we can maintain double-digit growth in 2025 and over the medium term.

Let's move on now to the important topic of costs, category by category.

15. Material Costs

Material costs – which have been adjusted for changes to inventories – came in at 33.3% of sales, 170 basis points higher than in 2024 and 330 basis points higher than in 2023.

Although the higher cost of cocoa was partially offset through long-term contracts and efficiency gains, a major part of the costs was reflected in price increases and other revenue growth management measures. Strict cost management allows us to mitigate the impact of rising cocoa prices to a certain extent, and double-digit price increases of 15.8% were needed to protect the bottom line.

Looking forward, we estimate that our total material costs will be slightly higher in 2025 compared to 2024, driven by cocoa. Despite the recent declines in cocoa prices, we still expect cost inflation to continue into 2026, as the lower cocoa prices have an impact on the P&L with a significant delay. At this point in time it is difficult to give a precise forecast on the cost of goods development in 2026 due to market volatility and uncertainty. Let's take a quick dive into our most important commodity, cocoa.

16. Cocoa Price

After seeing a strong rally in the cocoa market in 2024, the market has begun to decline over the first 6 months of 2025. In January, we reached a level of about GBP 8,000 per mt for the months relevant to us in 2026. In the meanwhile, the market has dropped to about GBP 5,000 for the March 2026 futures. We believe, the main reason for the decline is the weakening demand, especially in North America. In addition, based on the expert information we receive, the crop outlook for the coming season is expected to be better than in the last few harvests. However, bear in mind that the market is still more than double of what it was a few years ago.

Our experts continue to monitor the market very closely to place ourselves in the best position possible and we are doing our utmost to put in place the right strategies to provide future flexibility. Many market players expect a potential market correction once there is better visibility on the future crop sizes in Cote D'Ivoire, Ghana and Ecuador. We continue to see a lot of new plantations especially in Latin America, which gives us confidence in the long term.

Of course, it is quite difficult to predict where the cocoa futures market will go from here. It is encouraging to see in the last days that we saw a decline of more than 10% over the last week. The speed and the extent of further market corrections will also depend a lot on the development of the overall volume demand in the chocolate market. We expect a volume decline in the global chocolate market also in the 2nd half of 2025 due to the pricing action in the overall industry.

17. Personnel Expenses

Personnel expenses as a percentage of sales decreased by 60 basis points compared to the same period in 2024. Also, compared to 2021, 2022 and 2023 we can see economies of scale. The increase in absolute terms in the first half of 2025 is mainly driven by wage inflation and our successful expansion in the Global Retail Business, opening new stores in very promising locations such as Piccadilly Circus in London.

18. Operating Expenses

Operating expenses as a percentage of sales decreased by -50 basis points, this is mainly driven by a continuing leverage in supply chain costs and SG&A. Secondly, in line with our high-growth strategy, we continued to increase advertising investments in our brands across all geographies.

19. Operating Profit (EBIT)

At CHF 259 million and 11.0% of sales, EBIT decreased as expected by 250 basis points compared to the first half of 2024. Bear in mind that we recorded a positive, one-time impact on our other income as a result of a resolved legal dispute in North America in 2024. In 2023, we also had a positive one-time impact from the revaluation of the inventories in January 2023 and implementing price increases early in 2023. When looking back beyond 2023, we can see that compared to 2022 and 2021, we actually increased EBIT margin by 170 basis points and 330 basis points respectively. Similar to 2025, we had no one-time impact in 2021 and 2022, hence, those years are the better benchmark than the last two years.

EBIT margin in the second half will need to be at around 20% compared to roughly 18% in the last years. The key driver for the increase in EBIT margin in the second half is the full impact of the price increases and the continuation of benefits in our operating expenses.

In North America, we continue to make solid progress on the various projects aimed at further leveraging the Russell Stover business and on our overall 'Streamlining for Growth' initiatives. These areas include production, merchandising, logistics, procurement and IT. Bottom-line benefits had already started to materialize over the last years. We expect more benefits to come from these projects in the coming years.

Having said that, due to the weaker consumer sentiment in North America, we do not anticipate that we will improve our EBIT margin by 50-100 basis points in 2025, as we have done for a number of years. This is also because we benefitted from a substantial positive one-off impact in 2024.

20. Net Income

Net income reached CHF 189 million or 8.0% of net sales.

In the first half of 2025, the tax rate is at 22.2%, compared to 24.0% last year - in line with our mid-term guidance of 22% to 24%.

21. Development of Net Financial Position

I would like to take you through the 'bridge' of the main cash-relevant developments of the first half.

In the period under review, free cash flow is negative, at CHF -80 million.

Capital expenditure came in at CHF 170 million in the first half, CHF 9 million lower than last year. This is in line with our revised plans which postponed certain growth-related investments from the last few years.

We continued the share buyback, which started in 2024 as planned and, together with regular dividend payments, we returned more than CHF 600 million to our shareholders.

At the end of the first half, net debt reached CHF 1.4 billion.

When assessing our net debt, please also bear in mind the ongoing impact of IFRS 16 on our lease liability with a negative impact of around CHF 430 million. On a pure cash basis, net debt would be at around CHF 1 billion and our full year EBITDA is planned at about CHF 1.3 billion.

Overall, we still plan for a net debt (including lease liability) to EBITDA ratio, of 0.5 to 1 in the mid-term.

After this update, I am now handing back to Adalbert who will take you through the financial outlook for 2025 and beyond.

22. Outlook (section slide)

Thank you, Martin. As I have already mentioned, we had a solid start to 2025 with excellent growth in Europe. We achieved growth in North America, gaining significant market share in this important region. In the second half, we are expecting accelerated growth in North America, and in the 'Rest of the World' segment. At the same time, we expect growth in Europe to continue to be strong, however slightly lower than in the first half.

As already mentioned, due to the fact that price increases were implemented at various points in the first half in all regions, the overall price increase impact will be larger in the second half than the first.

23. Outlook

Based on continued consumer loyalty and the ongoing trend towards premiumization and the impact of double-digit price increases, Lindt & Sprüngli raises its organic sales growth guidance for the financial year 2025 to 9-11% (previously 7-9%) and we confirm an EBIT margin increase at the lower end of 20-40 basis points.

In the medium to long term of 2026 and beyond, the group remains confident in achieving its goal of an organic sales growth between 6% and 8%. We expect to deliver an average annual increase in EBIT margin of 20 to 40 basis points. Annual capex should remain in the region of 6% of sales. Tax rate is expected at about 22-24% in the medium term.

Back to you Martin.

24. Q&A (section slide)

Thank you for listening to our presentation and I will now hand over to the operator who will manage the Question-and-Answer session. We ask you to limit yourselves to a maximum of two questions, so everyone can participate. Please note that written questions asked via the web will be answered by email after the webcast.

25. Disclaimer

Appendix