

In the Spotlight - Barry Callebaut

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Barry Callebaut, the Swiss firm that supplies chocolate to the likes of Hershey and Nestle, has undergone something of a transformation in recent years. Today (2 April), however, it was announced that CEO Patrick De Maeseneire, the man who oversaw much of that change, was leaving the business. Michelle Russell reports.

It was a bittersweet day for Barry Callebaut today (2 April) after the Swiss chocolate maker posted a 15.3% increase in half-year profits - but announced that its CEO is to step down after seven years' service.



[view image](#)

Patrick De Maeseneire announced news of his departure to human resources group Adecco this morning, sending Barry Callebaut's shares falling. The Belgian made the decision not to renew his contract with the Swiss firm, which would have expired at the end of the year, and said a change "would now be good for Barry Callebaut and for me".

Barry Callebaut's shares recovered towards the end of the day, down only 0.58% at CHF516 at 15:48 CET but De Maeseneire's departure will be a blow to the business.

Under De Maeseneire, Barry Callebaut has successfully switched its focus from selling chocolate to consumers, to producing it for the likes of global leaders Hershey and Nestle.

Chairman of the board Andreas Jacobs paid tribute to De Maeseneire's "outstanding contribution" in shaping Barry Callebaut into the "uncontested global leader" in high-quality cocoa and chocolate products.

Since joining the company in June 2002, De Maeseneire has worked on implementing a strategy based on geographic expansion and innovation.

Kepler Capital analyst Jon Cox said that, despite De Maeseneire having to make his own career move, it is a disappointing move for Barry Callebaut's shareholders, who have seen the stock jump from CHF100 (US\$88) in 2002 to over CHF500 in 2009, reaching CHF1,000 at its height.

"He's done a great job with the company. For long term investors, he has been extremely rewarding for them and he's going to be a hard act to follow," Cox told just-food.

Nevertheless, Cox added that the man set to replace De Maeseneire, Nutreco COO Juergen Steinemann, has a "good record" and "fingers crossed" he will take Barry Callebaut to the next level.

"When you get this change of management there is a risk that maybe old targets are ripped up or there is some kitchen sinking going on but I think the underlying business model is robust. I think outsourcing as a trend will continue and Barry Callebaut obviously has a leading position on a global basis," Cox said.

That leading position began with the decision to move away from consumer chocolate in 2007 and focus more on business-to-business chocolate.

The company began by selling its US consumer confectionery business Brach's to US candy group Farley's & Sathers in September 2007 for an undisclosed sum. Callebaut held on to the company for four years in a bid to gain access to large US retailers and manufacture private-label chocolate for the US market.

But, as the market for private-label products in the US failed to develop in the same way as in Europe, De Maeseneire decided to focus the business on other priorities such as outsourcing and geographical expansion.

This began with the signing of supply deals with major confectioners Nestle in February 2007 and Hershey in April of the same year.

De Maeseneire described the deal with Hershey as a "milestone" for the Swiss company.

The deals saw Callebaut supplying Hershey with at least 80,000 tonnes of chocolate and chocolate products a year and to Nestle 43,000 tonnes.

Then came the company's plans for geographical expansion and boosting the production of chocolate in developing markets.

The company opened a chocolate factory in China in January 2008 in a bid to up its presence in Asia-Pacific, bought production capacity from Japanese confectioner Morinaga in the same month, and acquired a majority stake in Malaysian firm KKK Cocoa two months later.

De Maeseneire continued with his policy of moving away with chocolate with a deal last month to transfer its consumer chocolate division to Spain's Natra.

Should the deal go through, it will allow Callebaut to concentrate on its "core" business with industrial and artisanal customers. The group will, however, take a minority stake in Natra, which looks set to boost its private-label chocolate business in Europe by taking on Stollwerck - the addition of which, will create a company with annual sales of around EUR850m.

A further sign of the company's intent to change focus came a week later when it announced the sale of Van Houten Singapore, its Asian consumer business to Hershey.

Independent food analyst James Amoroso said Callebaut's sale of Van Houten was a sign of the good relations between the Swiss firm and Hershey. "The true significance of this deal is the clearly excellent relationship that Barry enjoys with its biggest 'industrial' customer," Amoroso said. "This bodes extremely well for future sales growth with North America's largest consumer chocolate producer."

Today's results prove the hard slog has clearly been worthwhile.

Net profit for the six months to the end of February rose to CHF143.4m from CHF124.4m a year ago, beating targets and analysts' expectations for a bottom-line result of CHF130m. Sales however, dropped an "unexpected" 1.6% to CHF2.54bn.

De Maeseneire said the results were "satisfactory" in the context of a "declining global chocolate market", a statement Cox believes was "reassuring".

"According to Nielsen data they are showing a 4% drop in volume in chocolate in the first half, but they themselves just don't know how much of that is more to do with de-stocking than anything else. They themselves said it could account for that decline," Cox said.

Cox insisted the results show that the chocolate category remains "pretty resilient" and that it is hardly surprising in "this type of environment" that the company is moving away from its long-term targets.

"All in all, I don't think it was a bad result," Cox said. "Profitability was better than anticipated and as for the outlook, they're saying in March there was a 20%+ rise in sales, which obviously means that the de-stocking process is over and that the end-consumer hasn't necessarily just given up on chocolate."

Nutreco executive Steinemann will join Barry Callebaut on 1 August from the international animal nutrition and fish feed company, a business with sales of EUR5bn in 2008.

Prior to this, Steinemann served as CEO of Unilever's former subsidiary Loders Croklaan from 1999 to 2001.

Whether Steinemann will feel like a fish out of water in his new role at Barry Callebaut, only time will tell.

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