

Hotel Chocolat

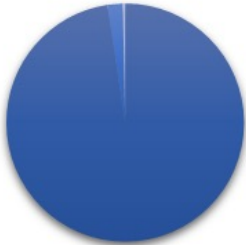
Team Burry

- Small Cap company listed on the FTSE AIM. Trading at 511.5p per share.
- Hotel Chocolat is a luxury chocolate retailer selling across multiple platforms including online, subscription and on the high-street.
- Hotel Chocolat is currently the leading UK premium chocolate.
- Hotel Chocolat is unique in its **vision** and its **business model**.
- Hotel Chocolat has focused on building a brand that is **relevant** and **sustainable**, backed by investment in a direct relationship with millions of customers.
- Hotel Chocolat is clear in its **values** and **business strategy**.

Geographic Revenue Analysis



FY16 Results



■ United Kingdom ■ Europe ■ Rest of World (RoW)

FY17 Results



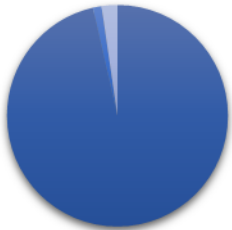
■ United Kingdom ■ Europe ■ Rest of World (RoW)

FY18 Results



■ United Kingdom ■ Europe ■ Rest of World (RoW)

FY19 Results



■ United Kingdom ■ Europe ■ Rest of World (RoW)

FY20 Results



■ United Kingdom ■ Europe ■ Rest of World (RoW)

- Six fast-growth opportunities
- Headroom for growth (long-run)
- Strong, Flexible and Differentiated Platform
- Differentiated Brand and Products
- Time Horizon: 12-months. Target growth 30%.

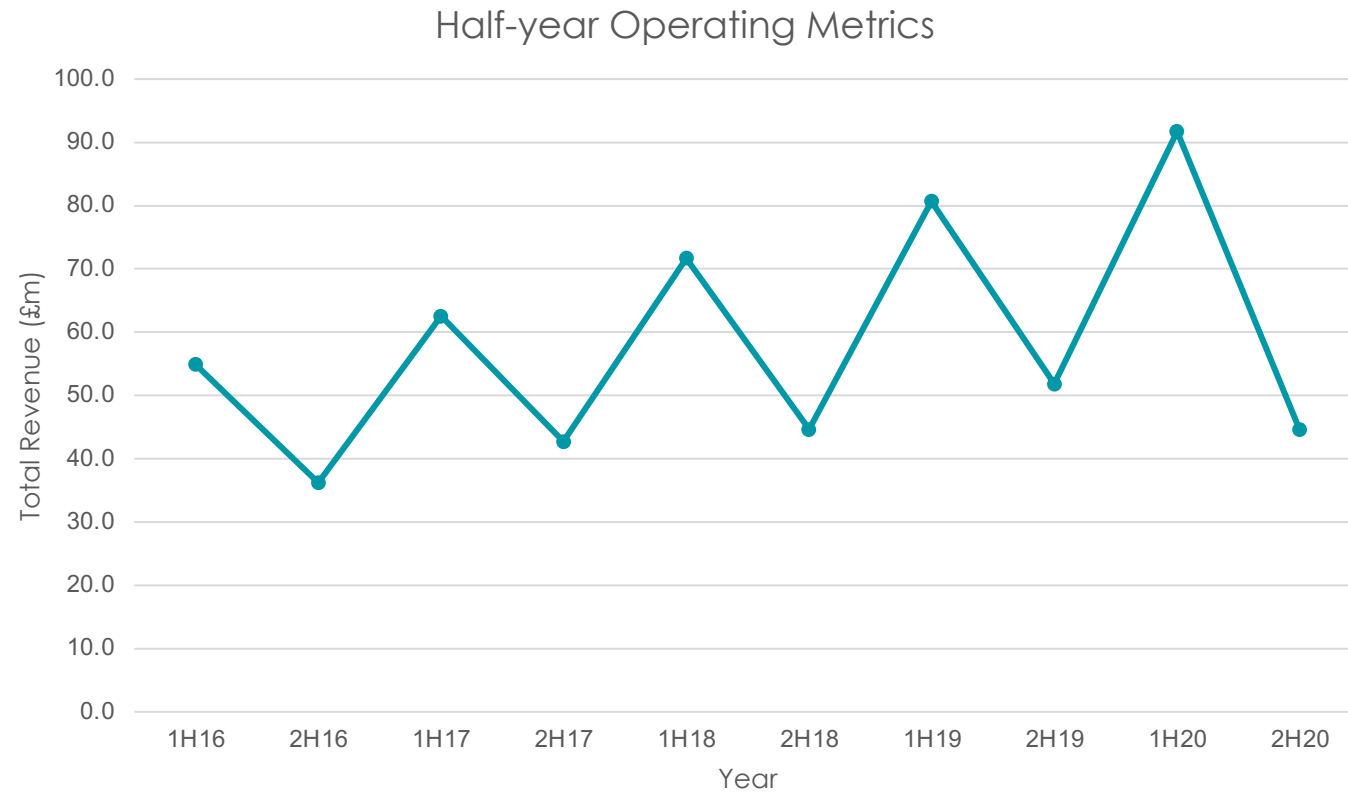
Hotel Chocolat Operating Model		Hard coded values				
Henry Meno-Kanyi June 2021 - SOBIC		Formulas				
		Assumptions				
	FY16	FY17	FY18	FY19	FY20	
Total Revenue	91.1	105.2	116.3	132.5	136.3	
<i>Total Growth %</i>	-	15.5%	10.5%	13.9%	2.9%	
United Kingdom	88.9	101.3	112.2	127.7	131.1	
<i>UK Growth %</i>	-	13.9%	10.8%	13.9%	2.6%	
Europe	1.9	2.1	2.3	1.7	1.4	
<i>Europe Growth %</i>	-	9.7%	12.4%	-27.7%	-16.4%	
Rest of World (RoW)	0.3	1.9	1.8	3.1	3.8	
<i>RoW Growth %</i>	-	551.8%	-4.6%	66.8%	25.0%	
Cost of sales	(30.2)	(33.8)	(36.7)	(45.1)	(53.3)	
Gross Profit	60.9	71.5	79.6	87.3	83.0	
<i>Margin %</i>	66.8%	67.9%	68.4%	65.9%	60.9%	
Total Operating expenses	(51.1)	(55.1)	(60.7)	(66.4)	(63.3)	
Depreciaton & Amortisation	(3.2)	(3.7)	(4.8)	(6.3)	(5.5)	
Depreciation of property, plant and equipment	(2.5)	(3.3)	(4.2)	(5.8)	(4.9)	
Amortisation of intangible assets	(0.7)	(0.4)	(0.5)	(0.5)	(0.6)	
Share-based payments	(0.1)	(0.6)	(0.7)	(0.2)	(0.4)	
Imparement (non-recurring)	0.0	0.0	(0.3)		(10.0)	
Profit/(loss) on disposal	(0.1)	(0.1)	0.1	(0.0)	0.1	
Administrative expenses	(54.5)	(59.6)	(66.4)	(73.0)	(79.1)	
Operating Profit (EBIT)	6.4	11.9	13.2	14.3	3.9	
EBITDA	9.6	15.7	18.0	20.6	9.5	
<i>EBITDA Margin %</i>	10.5%	14.9%	15.5%	15.6%	7.0%	
Underlying EBITDA	9.8	16.3	18.9	20.9	19.7	
<i>Underlying EBITDA Margin %</i>	10.7%	15.5%	16.3%	15.8%	14.5%	
Finance income	0.2	0.0	0.0	0.1	0.2	
Finance expense	(0.9)	(0.7)	(0.6)	(0.3)	(1.7)	
Share of joint venture	0.0	(0.0)	0.0	(0.0)	(0.0)	
Profit before tax (PBT)	5.6	11.2	12.7	14.1	2.4	
<i>PBT Growth %</i>	-	100.4%	13.4%	10.9%	-83.0%	
Taxs	(1.5)	(2.4)	(2.7)	(3.1)	1.1	
Profit after tax (PAT)	4.1	8.8	10.0	11.0	3.5	
<i>PAT Growth %</i>	-	114.6%	13.9%	10.0%	-68.4%	
Weighted average # shares in issue - Basic	103.4	112.8	112.8	113.0	118.0	
Share based payments	0.0	0.1	0.2	0.2	0.4	
Weighted average # shares in issue - Diluted	103.4	113.0	113.1	113.2	118.4	
Earnings per share (EPS) (pence) - Basic	3.9	7.8	8.8	9.7	2.9	
Earnings per share (EPS) (pence) - Diluted	3.9	7.8	8.8	9.7	(5.5)	

- Revenue
- Profit
- Margin
- P/E ratio
- Debt to equity ratio
- Dividends

Short-term Catalysts



- In the short-run we look to take advantage of the cyclical nature of the company's revenue stream.



Long-term Catalysts: Breaking Into Larger Markets



- Luxury Gift Market:

£20Bn UK

£175Bn USA and Japan

- Subscriptions Market:

£3bn Worldwide

- Leisure Market:

£14Bn UK

\$210Bn USA and Japan



OUR STRATEGY FOR 2021 AND BEYOND: 'TO BECOME THE LEADING GLOBAL DIRECT-TO- CONSUMER PREMIUM CHOCOLATE BRAND'

Led by our values; Authenticity, Originality and Ethics,
from 'roots to wrapper'.

Strong brand appeal reinforces premium-price position
across multiple product categories.

Growth comes both from attracting new customers, new
markets, new categories and by encouraging existing customers
to shop more often for a wider variety of occasions.

1.

LUXURY GIFTING

The take-home and delivered gift market is
more than 3x larger than the chocolate market
in the UK

2.

IN HOME (VELVETISER AND SUBSCRIPTION)

Velvetiser and subscriptions, creating 'HC
households'. More use occasions with higher
lifetime value

3.

LEISURE

Impulse self-purchase, food & beverage,
shared experiences

- COVID-19
- Consolidation of the high street
- Increased complexity of supply chains resulting from geographical expansions
- International competition from other premium chocolate retailers

- High-quality business with long-run potential.
- In the short-run we can take advantage of seasonal effects and the cyclical nature of the company's revenue streams to gain momentum.
- We believe in its long-term strategy and we believe in management. As the company meets its long-run objectives this will add value to the underlying share price.