

ELEVATION CAPITAL MANAGEMENT LIMITED: MONDELEZ INTERNATIONAL INC [MDLZ:US]



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MONDELĒZ: A GLOBAL SNACKS POWERHOUSE

Mondelēz International, Inc. is one of the world's largest snacks companies...



BISCUITS

THE WORLD'S LARGEST
BISCUIT BAKER*



* SOURCE: EUROMONITOR

MONDELĚZ: A GLOBAL SNACKS POWERHOUSE

Mondelēz International, Inc. is one of the world's largest snacks companies...



CHOCOLATE

THE WORLD'S LARGEST
CHOCOLATIER*

The Milka logo is written in a blue, cursive script.The Toblerone logo features a golden mountain peak icon above the word "TOBLERONE" in a bold, red, sans-serif font with a white outline.The Lacta logo consists of the word "LACTA" in a bold, blue, sans-serif font with a blue underline.The Cadbury logo is written in a purple, cursive script.

* SOURCE: EUROMONITOR

MONDELÉZ: A GLOBAL SNACKS POWERHOUSE

Mondelēz International, Inc. is one of the world's largest snacks companies...



GUM & CANDY

THE WORLD'S LARGEST CANDY MAKER
& SECOND LARGEST MAKER OF GUM*

Trident

Stride

HALLS

Dentyne

* SOURCE: EUROMONITOR

MONDELÉZ: HISTORY

- 1903 K.L.Kraft started a wholesale cheese business
- 1928 Kraft Cheese merged with Phenix Cheese Corp to become Kraft-Phenix Cheese Corp
- 1923 National Dairy Products Corp formed
- 1923 - 1931 Acquired more than 55 firms
- 1930 National Dairy acquired Kraft-Phenix
- 1940 Kraft-Phenix Cheese Corp renamed as Kraft Cheese Co
- 1945 Kraft Cheese Co renamed as Kraft Foods Co
- 1969 National Dairy renamed as Kraftco Corp
- 1976 Kraftco Corp renamed as Kraft, Inc
- 1980 Kraft, Inc merged with Dart Industries Inc to become Dart & Kraft, Inc
- 1986 Dart & Kraft spun-off its nonfood business (except Duracell) and renamed as Kraft, Inc
- 1988 Duracell was sold to KKR



MONDELÉZ: HISTORY CONTINUED

1988

Philip Morris Co purchased Kraft for US\$ 12.9B

1989

Kraft merged with Philip Morris' General Foods unit as Kraft General Foods (KGF)

1995

Kraft General Foods renamed as Kraft Foods Inc

2000

Philip Morris acquired Nabisco Holdings for US\$ 18.9B and merged it with Kraft Foods

2001

Philip Morris made an IPO for Kraft Foods Inc and sold ~12% to the public

2003

Philip Morris renamed as Altria

2007

Altria spun off its 88% stake in Kraft to its shareholders. Kraft became an independent public company

2011

Kraft announced plan to split the company into two publicly listed companies – a snack foods company and a grocery company

2012

Kraft Foods Inc spun off its grocery business to its shareholders, which is called Kraft Foods Group, Inc. After the spinoff, the remaining snack business (Kraft Food Inc) was renamed as Mondelez International Inc

KRAFT GENERAL FOODS
FOODSERVICE

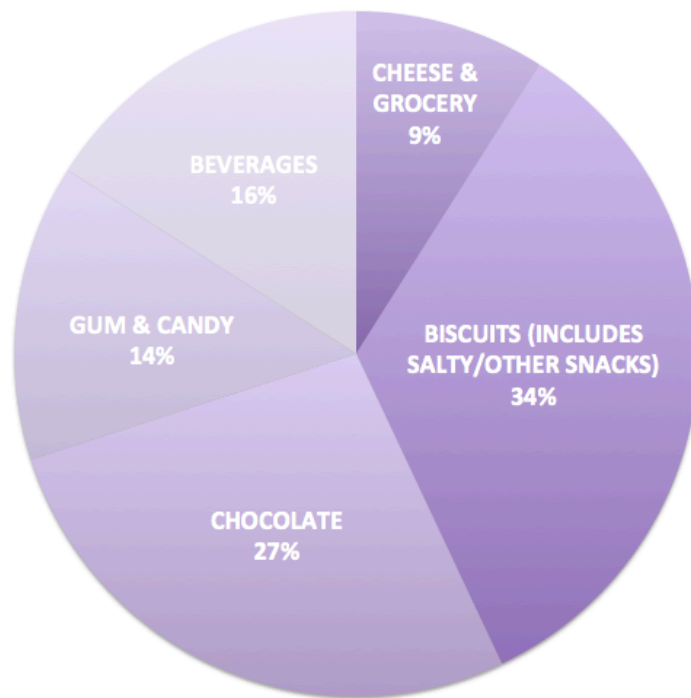


MONDELÉZ: EXPOSURE TO HIGH-GROWTH CATEGORIES AND MARKETS

- ~75% of revenue is generated in the fast-growing Biscuits, Chocolate and Gum & Candy categories.
- ~44% of revenue is derived from higher-growth emerging markets.
- Exposure to emerging markets has been a short-term drag on performance (largely due to currency).
- However, longer term it is likely to be positive.

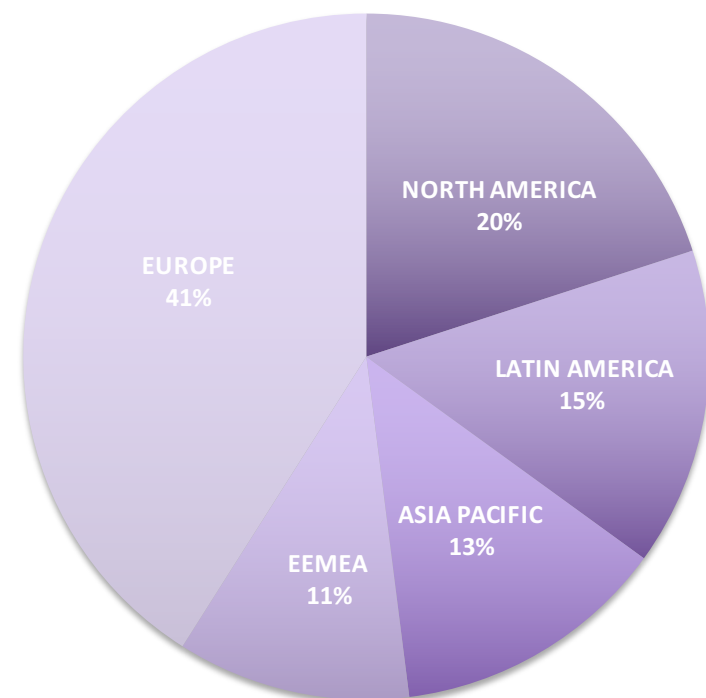
Sales by Category

(FY2014)



Sales by Geography

(FY2014)



MONDELÉZ: A PORTFOLIO OF THE WORLD'S FAVORITE BRANDS

- Mondelez has nine Billion-Dollar Brands: *Cadbury*, *Cadbury Dairy Milk*, *Milka* chocolates; *Jacobs* coffee; *LU*, *Nabisco* and *Oreo* biscuits; *Tang* powdered beverages, and *Trident* gum. Another 58 brands owned by Mondelez each generate annual revenues of more than US\$ 100 million.



MONDELĒZ: NINE BILLION-DOLLAR BRANDS



Cadbury was founded in 1824 when John Cadbury opened a grocer's shop at 93 Bull Street, Birmingham, England. Among other things, he sold cocoa and drinking chocolate, which he prepared himself using a pestle and mortar.

Now, the brand offers a number of chocolates and drinks, including the Cadbury Egg, Cadbury Dairy Milk chocolates, Flake, Wispa, Twirl and Eclairs chocolates, and Cadbury Bourneville drinking chocolate.

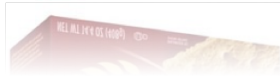
Cadbury Dairy Milk is a milk chocolate bar made with fresh liquid milk – a glass and a half for every half pound of chocolate to be precise. It quickly became the market leader in the UK after it was launched in the early 1900s.

Dairy Milk bars are now enjoyed in 33 countries and available in more than 23 varieties, like Fruit & Nut, WholeNut, Snack, Caramello and Breakaway.

Milka is the leading European chocolate. The word Milka is derived from combining Milch and Kakao, which are the German terms for milk and cocoa, chocolate's primary ingredients.

Milka's unique lilac-colored packaging and the famous lilac cow symbolize its Alpine heritage.

MONDELÉZ: NINE BILLION-DOLLAR BRANDS



Nabisco is one of the Company's billion-dollar brands. Its roots date back to 1898 when the United States Baking Company, the New York Biscuit Company and the American Biscuit & Manufacturing Company formed to become the National Biscuit Company.

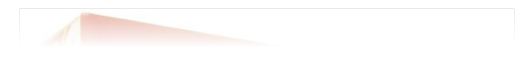
The name Nabisco first appeared on a new sugar wafer product in 1901, but the corporate name did not change from National Biscuit Company to Nabisco, Inc. until 1971. Today, Nabisco's brands include some of the best-known cookies and crackers in the world, including Chips Ahoy!, Oreo and Ritz.



Oreo is (by far) the best-selling cookies brand in the world.

Since its introduction in 1912, Oreos continue to be America's most popular cookie brand and are now a favourite of consumers around the globe.

The Company sold more than US\$ 2.5 billion of the creme-filled cookies in 2014.



LU biscuits, founded in 1850 by Monsieur LeFevre and Mademoiselle Utile, is one of the greatest success stories in the French food industry. It began with a small family operation in France that grew to become a market leader.

LU biscuits are available in 100 countries and include such childhood favourites as Le Petite Ecolier. Other international brands under the LU name include Petit Dejuener, Mikado, Pepito (Mini Stars), Cracotte, Ourson and Tuc.

MONDELÉZ: NINE BILLION-DOLLAR BRANDS



Tang, created in 1957 and available in more than 30 countries, is the leading brand in the Company's powdered beverage portfolio.

The brand was closely associated with the U.S. manned spaceflight program as NASA used it on John Glenn's Mercury flight, and subsequent Gemini missions.

This fresh, fruit-flavoured drink is available in a variety of flavours – based on local consumers' preferences – and is fortified with minerals and vitamins. It is available both as a powdered beverage and in ready-to-drink bottles.

Trident is the number one chewing gum brand in the world. It was also the world's first sugar-free chewing gum.

Many people still remember the slogan for Trident in the 1970s — *“four out of five dentists surveyed recommend sugarless gums for their patients who chew gum”*.

The first Trident gum was manufactured in 1960 by American Chicle. It was a sugared gum that was designed to combat tartar on the teeth. The "tri" in the name signified three enzymes it contained that were said to dissolve the tartar, and the "dent" alerted consumers that it was designed for dental health.

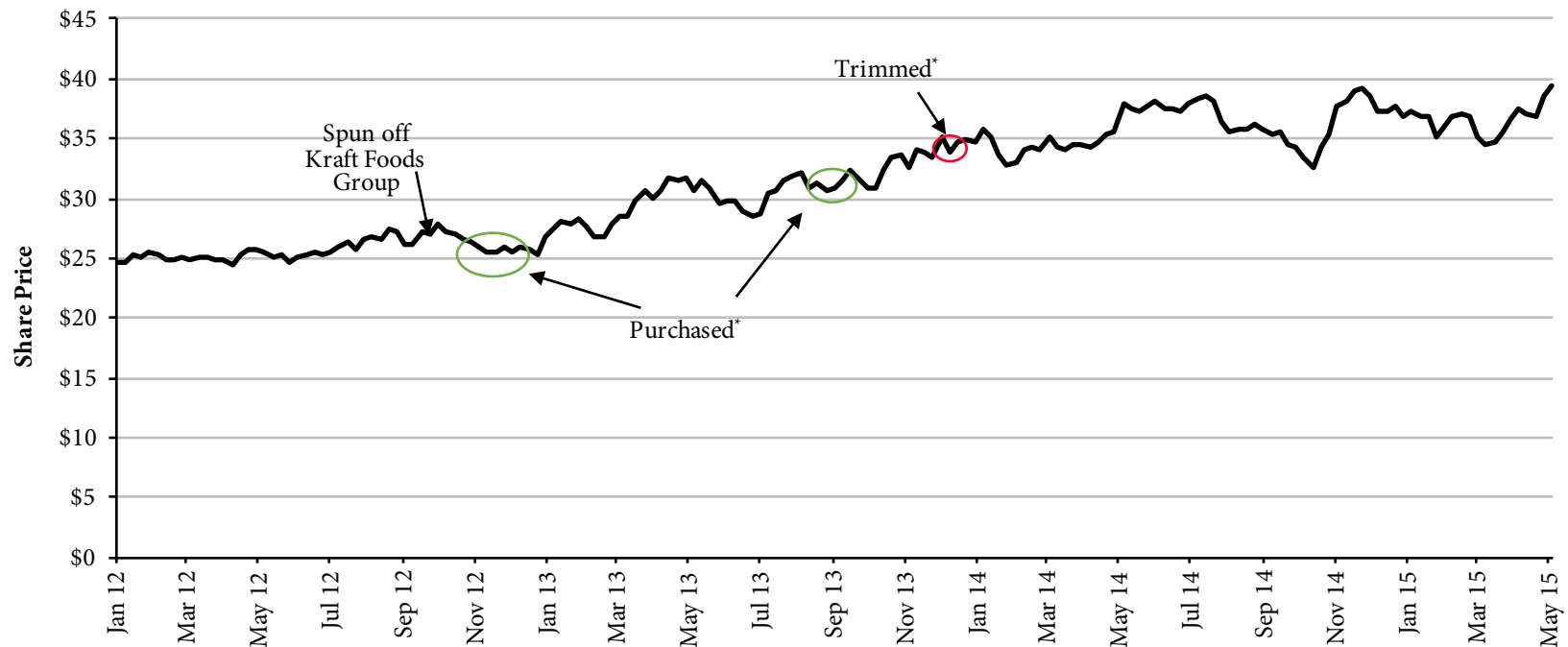
The rich history of **Jacobs** coffee began in 1895 in Germany. That's when 26-year-old Johan Jacobs opened a specialty coffee shop in Bremen and introduced his own special brand of coffee.

Jacobs coffee is sold throughout Europe and is a market leader in countries like Austria and Germany.

(Mondelēz announced in May 2014 that it will merge its coffee business with D.E Master Blenders 1753 to form the largest pure-play coffee company in the world.)

MONDELĚZ: MACROECONOMIC FACTORS PRESENTED OPPORTUNITY

- 2012 was a year when continued weakness in major economies started to affect formerly fast-growing emerging markets. The slow down in emerging markets had negatively impacted the share price of Mondelez (after the spin-off of Kraft Foods Group in October 2012), which derives 44% of revenue from developing markets.
- We believed medium-term macroeconomic conditions in emerging markets provided an opportunity for long-term minded investors to acquire a portfolio of great consumer brands at a discount.
- We also felt that separation would turn a spotlight on the performance of management and the margin performance of the underlying business which was well below high quality global peers.
- We initiated our position within the Elevation Capital Value Fund in October 2012, and then added to the position after Trian Partners went public on its activist position in 2013. Our average cost is US\$ 28.36*.
- Current share price** = US\$ 39.33 (Market Capitalisation = US\$ 64.0B).



* FOR ELEVATION CAPITAL VALUE FUND (ONLY) – AS AT 30 DECEMBER 2013. ELEVATION CAPITAL SEPARATE ACCOUNTS PURCHASED THE STOCK BETWEEN US\$ 30.75 – US\$ 37.67 DURING THE PERIOD 29 JULY 2013 – 30 JANUARY 2015

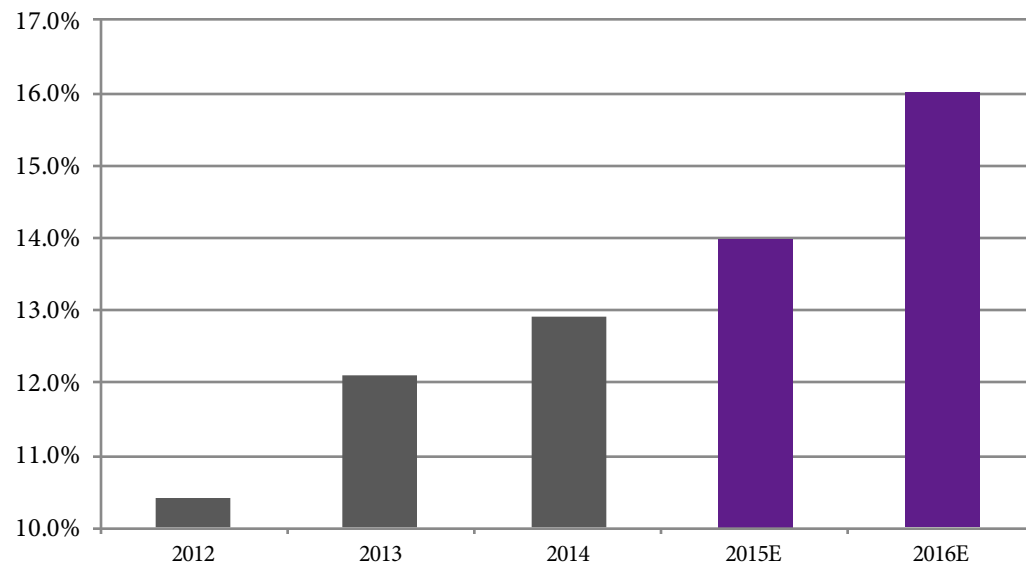
** AS AT 11 MAY 2015

MONDELÉZ: BELOW-AVERAGE MARGINS PROVIDE ROOM-FOR-IMPROVEMENT

Opportunities For Cost Cutting and Margin Expansion

- The Company has below-average margins when compared to its global peers. Under pressure, management is attempting to expand margins through cost discipline (including through a reduction of employees) and creating a leaner, more efficient supply chain through improving supply chain infrastructure. The Company has also decreased its headcount from 127,000 during 2010 to 107,000 in 2013, a process which has continued post spin-off.
- The Company has made significant progress in the past year, and is currently projecting further improvement in its adjusted operating margin to 15%-16% in 2016.

Improving Operating Margin and Target Margins



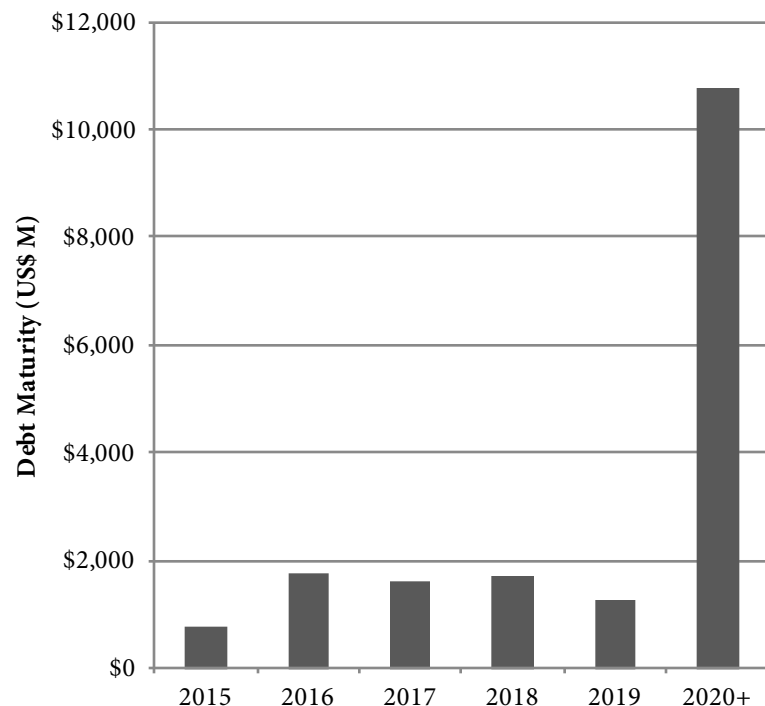
EBIT Margin (TTM)*

Hershey Co	19.3%
Procter & Gamble Co	19.3%
General Mills Inc	16.3%
Nestle SA	15.4%
Campbell Soup Co	15.2%
PepsiCo Inc	15.2%
Mondelez	12.9%
Kerry Group PLC	10.6%
Kellogg Co	9.9%
Post Holdings Inc	5.6%
Parmalat SpA	5.5%
Tyson Foods Inc	3.8%
Median	14.1%

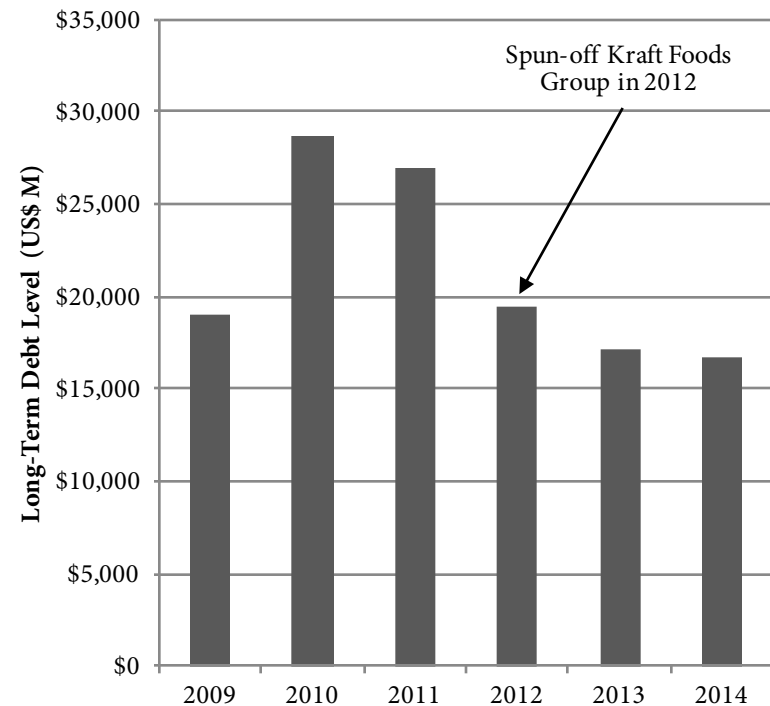
MONDELÉZ: CONTINUES TO REDUCE LONG-TERM DEBT LEVELS

- At the end of FY2014, Mondelez had US\$ 16.7B in total debt* and management continues to reduce its debt.
- The Company expects to maintain investment grade credit ratings on its debt (S&P: BBB/A-2, Moody's: Baa1).
- The Company also utilises a commercial paper program (US\$ 1.3B*), primarily uncommitted international credit lines and long-term debt issuances for regular funding requirements.

Debt Maturity Profile



Long-Term Debt Levels

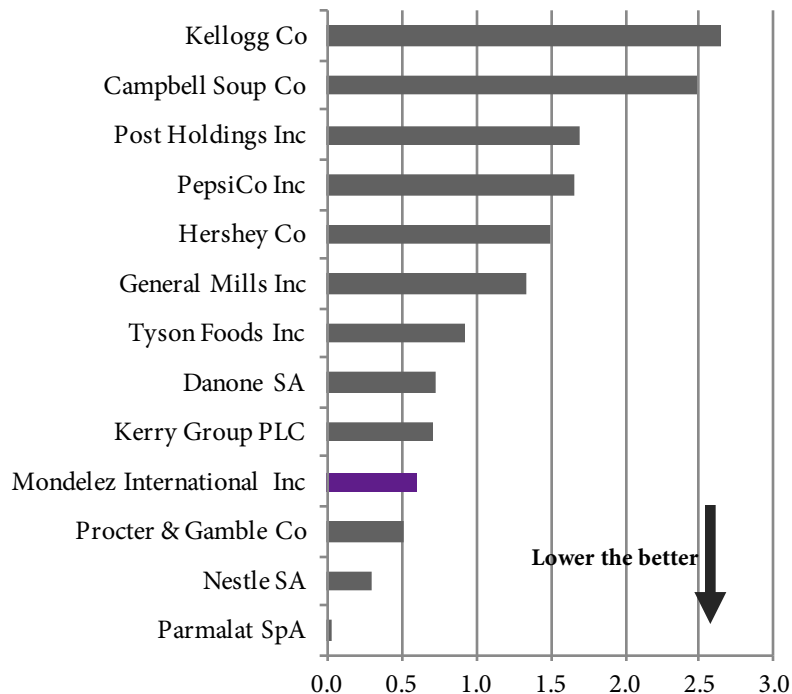


* AS AT 31 DECEMBER 2014

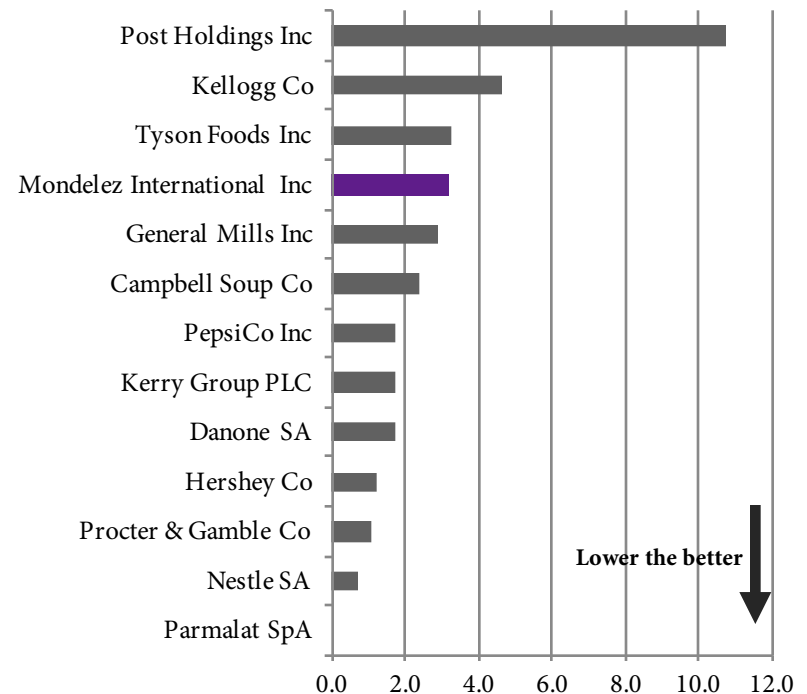
MONDELÉZ: FINANCIAL LEVERAGE

- Mondelēz employs a lower level of financial leverage than its global peer group average:
 - Total Debt/Equity is 0.60x versus the global peer group average of 1.16x
- However, Mondelēz has relatively lower margins than its global peer group that contributes to higher earnings-based financial leverage ratios such as Net Debt/EBITDA:
 - Net Debt/FY1 EBITDA is 3.15x versus the global peer group average of 2.94x*

Total Debt / Equity



Net Debt / FY1 EBITDA



DATA SOURCE: THOMSON REUTERS EIKON AS AT 11 MAY 2015

* GLOBAL PEER GROUP AVERAGE EXCLUDES PARMALAT SPA WHICH CURRENTLY HAS A NET CASH POSITION

MONDELÉZ: CAPITAL STRUCTURE & OWNERSHIP

Equity

- Mondelēz has 1.63 billion shares outstanding. Current market capitalisation is US\$ 64.0B based on share price of US\$ 39.33*.

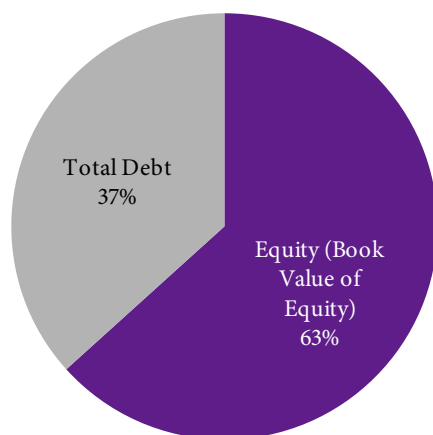
Debt

- At the end of FY2014, Mondelēz has US\$ 16.7B** in total debt, down from US\$ 19.4B as at the end of FY2012.

Activist Shareholders

- It is noted that on the top 10 investors list, there are two activist investors – Trian Fund Management & Southeastern Asset Management.

Capital Structure



Top 10 Investors***

The Vanguard Group	5.24%
State Street Global Advisors	4.77%
BlackRock Institutional Trust	3.91%
Trian Fund Management	3.11%
Wellington Management	2.72%
Southeastern Asset Management	1.64%
Fidelity Management	1.51%
Jennison Associates	1.40%
JP Morgan Asset Management	1.39%
Capital Research Global Investors	1.36%

* AS AT 11 MAY 2015

** AS AT 31 DECEMBER 2014

*** DATA SOURCE: THOMSON REUTERS EIKON AS AT 12 MAY 2015

MONDELÉZ: CAPITAL RETURN HISTORY

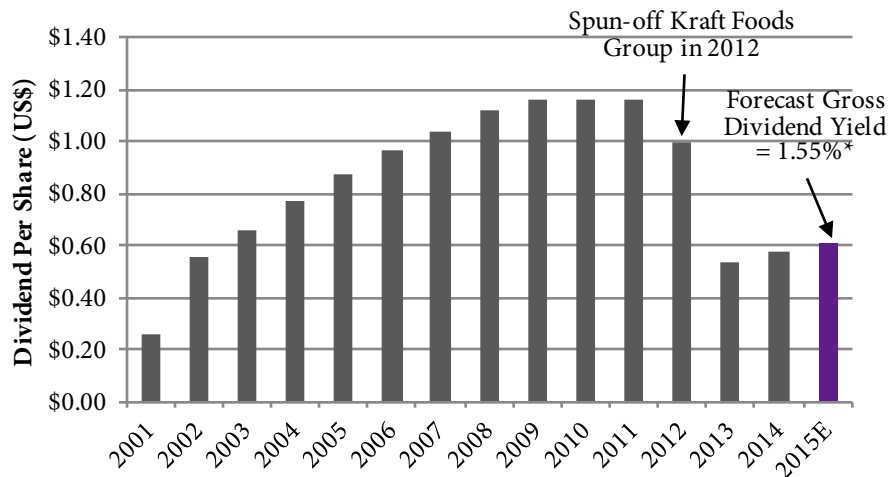
Dividends

- Dividends per share have increased since the Kraft Foods spin-off
- FY2014 dividend amounts to a payout ratio of 44% (Management target: minimum 30%)
- We see considerable scope to lift payout ratio to match global peers (Peer Group Median = 54%)
- Mondelez currently has a Forecast Gross Dividend Yield of 1.55%*

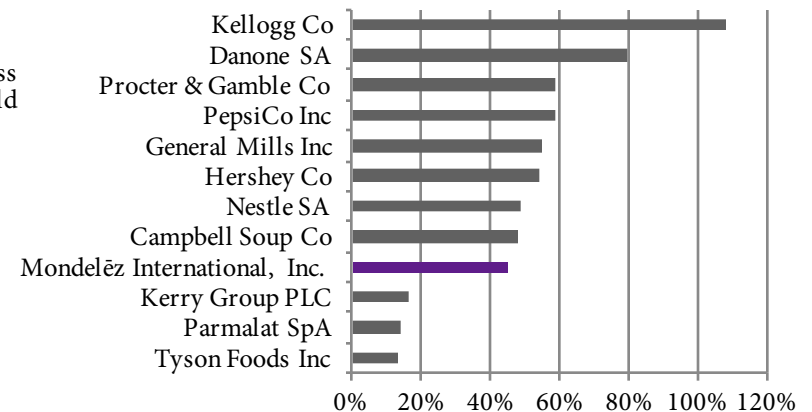
Share Buybacks

- In 2013, the Board of Mondelez authorised the repurchase of US\$ 7.7B of shares through 2016. The remaining repurchase program capacity is at US\$ 3.1B (~5% of current Market Cap) as at 31 December 2014
- Buybacks to date have added value for long-term shareholders

Dividend History



Payout Ratio (Latest)



* AS AT 11 MAY 2015

DATA SOURCE: THOMSON REUTERS EIKON/WORLDSCOPE AS AT 11 MAY 2015

MONDELÉZ: VERSUS GLOBAL PEERS

- Currently, Mondelez trades at a slight premium to its global peers as its share price rallied ~14.5% in the last two months*. We hypothesise that it is mainly due to two reasons:
 - H.J. Heinz's announced acquisition of Kraft Foods Group on 25 March 2015 that values Kraft at a suggested 15.6x EV/EBITDA multiple
 - The continued improvement in margins in its recent Q1 2015 results and the expectation of continued margin improvements in future periods

Peer Group

	TTM P/E	NTM P/E	Price/Sales	EV/NTM EBITDA	Price/Cash Flow	Price/Book	Dividend Yield
Campbell Soup Co	19.0x	18.7x	1.7x	11.9x	11.7x	9.4x	2.7%
Danone SA	33.5x	20.6x	1.9x	14.0x	17.2x	3.2x	2.4%
General Mills Inc	24.3x	19.0x	1.9x	12.8x	14.5x	6.1x	3.1%
Hershey Co	23.2x	21.3x	2.8x	10.1x	19.3x	16.4x	2.3%
Kellogg Co	45.8x	17.5x	1.6x	11.6x	16.5x	8.9x	3.1%
Kerry Group PLC	23.3x	20.5x	1.9x	16.7x	20.5x	5.0x	0.7%
Nestle SA	16.1x	21.0x	2.6x	14.9x	15.2x	3.3x	3.0%
Parmalat SpA	22.2x	18.4x	0.8x	7.7x	9.3x	1.4x	0.7%
PepsiCo Inc	22.5x	20.7x	2.2x	12.9x	15.7x	9.0x	2.9%
Post Holdings Inc	179.5x	76.9x	0.9x	12.8x	20.9x	1.0x	-
Procter & Gamble Co	23.8x	19.5x	2.8x	13.2x	15.7x	3.5x	3.3%
Tyson Foods Inc	16.1x	11.4x	0.4x	8.7x	9.6x	1.6x	1.0%
Peer Group Median Average	23.3x	20.0x	1.9x	12.2x	15.7x	4.2x	2.7%
Mondelez International, Inc.	28.5x	21.6x	1.9x	14.5x	21.2x	2.6x	1.5%

* FROM 11 MARCH 2015 TO 11 MAY 2015

DATA SOURCE: THOMSON REUTERS EIKON AS AT 11 MAY 2015

MONDELĒZ: POSSIBLE PEPSICO/FRITO LAY + MONDELĒZ MERGER?

- We believe that in the long run (2017 and beyond), Mondelez should consider transformative M&A transactions such as the one suggested by Nelson Peltz (Trian Fund Management) in 2013 for PepsiCo/Frito Lay to acquire Mondelez.
- A merger of Frito Lay and Mondelez would create a formidable presence in the global snack foods market (revenue ~US\$ 57B). Frito Lay primarily produces salty and savoury snacks such as potato and corn chips, while Mondelez focuses on sweet snacks such as chocolate and cookies. Together, the two business would dominate the snack foods market in a number of regions.
- However, a merger of PepsiCo/Frito Lay and Mondelez is not on the table currently as the management of PepsiCo has expressed in 2014 that they are not interested in pursuing a merger with Mondelez. We see this as a source of potential opportunity in the future. In the meantime, Mondelez should continue to transform itself into a more efficient, lean and profitable company.



Mondelez
International



Frito Lay
Good fun!



MONDELÉZ: POSSIBLE FURTHER M&A ACTIVITY IN THE INDUSTRY

- We have detailed below a sample of M&A transactions in the confectionary industry over the past 15 years:

Transaction	Acquisition Price	EV/EBITDA Multiple
H.J. Heinz (3G/BRK) announced acquisition of Kraft Foods Group (2015)	US\$ 56B	15.6x
Tyson Foods acquisition of Hillshire Brands (2014)	US\$ 6.8B	13.4x
Joh. A. Benckiser acquisition of D.E. Master Blenders 1753 (2013)	US\$ 9.8B	16.0x
3G/BRK acquisition of H.J. Heinz (2013)	US\$ 28B	13.7x
Kellogg acquisition of Pringles (2012)	US\$ 2.7B	11.0x
Kraft acquisition of Cadbury (2010)	US\$ 19.6B	13.0x
Mars acquisition of Wrigley (2008)	US\$ 23.0B	18.1x
Kraft acquisition of Danone's Biscuits Business (2007)	US\$ 7.2B	13.2x
PepsiCo acquisition of Quaker Oats (2000)	US\$ 13.4B	15.6x
Transaction Sample Average:	US\$ 18.5B	14.4x

- H.J. Heinz's announced the acquisition of Kraft Foods Group on 25 March 2015 provides a solid indication of the potential price (and intrinsic value) of the Company, if the acquirer has the ability to extract similar synergies out of Mondelez (which we assume is the case).
- The Heinz/Kraft transaction multiple of 15.6x (TTM), would imply a value of US\$ 40.92 per Mondelez share in a takeover scenario.
- We believe an elevated multiple is likely in the event of a takeover given the superior international brands owned by Mondelez, future growth in emerging markets as well as the potential for significant margin expansion in future periods.

MONDELÉZ: ELEVATION CAPITAL'S VALUATION RANGE

Elevation Capital Estimated Intrinsic Value Range:

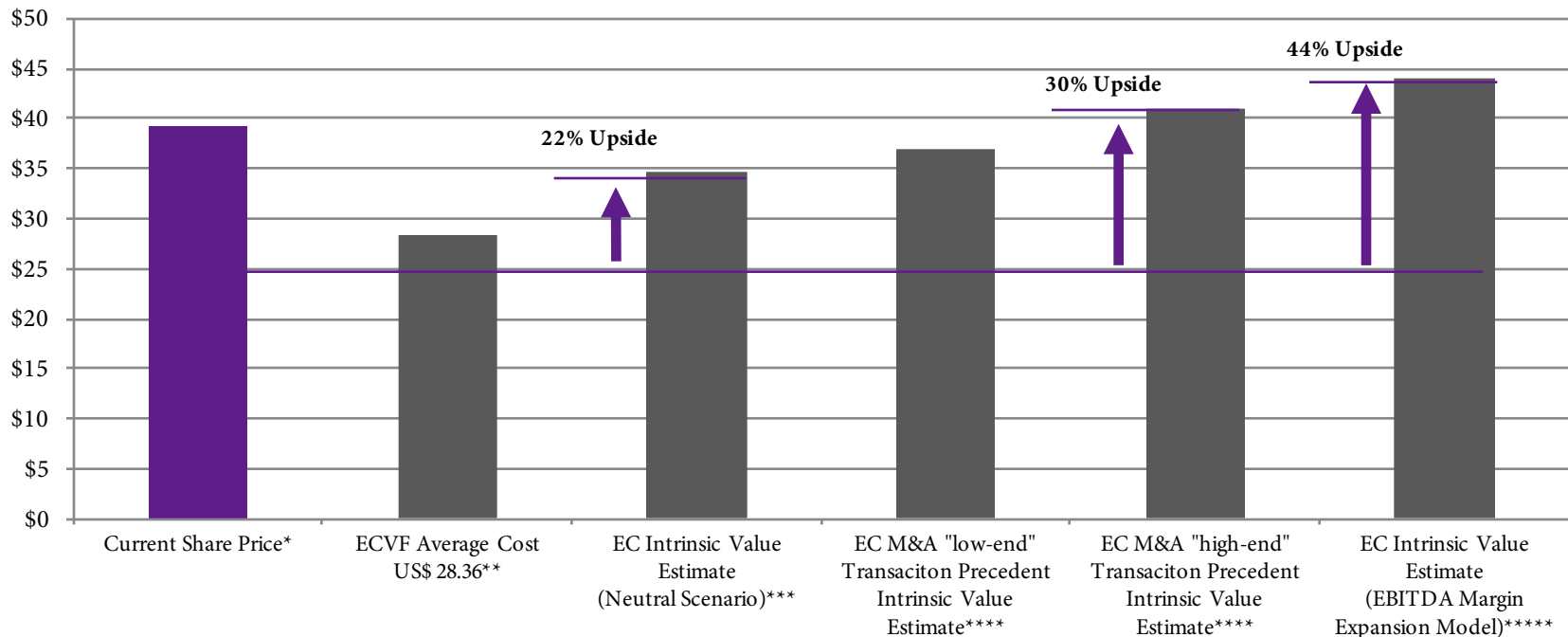
US\$ 34.58 - US\$ 44.06 PER SHARE

Upside/Downside Potential Range

Based On ECVF Average Cost :

+22% - +44%

Valuation Summary



* MONDELÉZ SHARE PRICE AS AT 11 MAY 2015

** US\$ AVERAGE COST PER SHARE FOR ELEVATION CAPITAL VALUE FUND ("ECVF") AS AT 30 DECEMBER 2013

*** NEUTRAL SCENARIO BASED ON MONDELÉZ AVERAGE EV/TTM EBITDA MULTIPLE SINCE KRAFT SPOFF (13.7X TTM)

**** LOW-END M&A - BASED ON AVERAGE EV/EBITDA MULTIPLE FOR THE TRANSACTION SAMPLE GROUP (14.4X TTM)

**** HIGH-END M&A - BASED ON ESTIMATED 3G/BRK ACQUISITION OF KRAFT (15.6X)

***** BASED ON ELEVATION CAPITAL'S INTERNAL EBITDA MARGIN EXPANSION MODEL AND AVERAGE EV/EBITDA MULTIPLE FOR THE M&A TRANSACTION SAMPLE GROUP (14.4X TTM) SINCE 2000. (ELEVATION CAPITAL'S EBITDA MARGIN EXPANSION MODEL IS BASED ON ~66% OF THE C.O.G.S AND ~30% OF THE S,G&A REDUCTIONS AT H.J HEINZ SINCE ITS TAKEOVER BY 3G/BRK.)

MONDELÉZ: KEY OPPORTUNITIES (1)

Emerging Markets

- Increasing sales in key emerging markets is an integral part of Mondelez forward strategy. Management have referred to this as 'winning' in emerging markets. Snack food consumption is highly correlated with GDP growth, the urbanisation of populations, increases in discretionary income and a growing middle class. These forces are particularly strong in emerging markets where Mondelez is focused and should deliver long-term growth opportunities.

Brand Strength

- Mondelez owns some of the most well-known snack food brands in the world. In all, the company owns nine brands which generate over US\$ 1B or more in revenue annually. Cadbury in particular is a worldwide brand with international recognition. According to Euromonitor, holds the No. 1 position globally in Biscuits, Chocolate and Candy as well as the No. 2 position in Gum.

Share Buybacks

- In 2013, the Board of Mondelez authorised the repurchase of US\$ 7.7B of shares through 2016. The Company still has a repurchase capacity of US\$ 3.1B (~5% of current Market Cap*) as at 31 December 2014. We believe that if well executed, the share-buyback program can continue to add value for long-term minded shareholders.



MONDELĒZ: KEY OPPORTUNITIES (2)

Shareholder Activism and M&A

- In 2013, Nelson Peltz, CEO and founding partner of Trian Fund Management, began to publicly suggest that Mondelēz should merge with PepsiCo. This followed the disclosure that Trian had taken a large position in both companies. Since this time Peltz has taken a position on the Board of Mondelēz and has pushed management to cut costs and increase margins.
- The suggestion that PepsiCo should acquire Mondelēz appears to have been left to the side for now, however, we believe that it makes sense in the long run, especially with H.J. Heinz's announced acquisition of Kraft.
- In the meantime, the Company announced in May 2014 that it will merge its coffee business with D.E Master Blenders 1753 to form the largest pure-play coffee company in the world. The Company will own a 49% interest in the new combined entity, Jacobs Douwe Egberts.



Mondelēz CEO Irene Rosenfeld and Nelson Peltz of Trian Fund Management

MONDELĒZ: KEY RISKS (1)

Regulation

- The effect of government policy and regulation can impact sales volume and earnings significantly. Governments are increasingly willing to increase regulations on sugar and sugar derived products. This can include increasing taxes, increasing regulation on labelling, introducing minimum prices and regulating the marketing and advertising of products.
- We recognise a growing number of governments imposing special taxes on sugar, salt or fat in recent years. However, we also note that the impact of these special taxes seems to be different across products and retailing groups. For example, empirical evidence seems to suggest that soda consumption in France shows little impact from a “sugar tax” and that consumers just end up paying more for the products.
- Regulation in Emerging Markets – We also note that the perception that Emerging Markets are not regulated (or lightly regulated) is incorrect according to Philip Morris International.

Changing Consumer Tastes

- Consumers are increasingly conscious of the negative health effects of sugar and sugary products. As a number of Mondelēz products are high in sugar, this, or other changes in consumer taste, may negatively affect the profitability of the company. If Mondelēz fails to anticipate and adapt to changes in consumer tastes, it will have a detrimental impact on the profitability of the business.



MONDELĒZ: KEY RISKS (2)

Cost of Raw Materials

- Increases in the cost of raw materials such as cocoa, soy, sugar/sweeteners, wheat and corn products etc. can increase the Cost of Goods Sold and therefore have a material impact on Mondelēz' margins.

Consolidation of Retailers

- Retailers, particularly supermarkets, have been consolidating globally. This process reduces competition among retailers and means there are fewer wholesale customers on which Mondelēz can rely. The decrease in competition may mean supermarkets are more likely to resist price increases and demand lower pricing.

Competition

- Mondelēz faces competition from a number of peers of varying sizes, both international and regional. Competition is primarily on the basis of product quality, brand recognition, loyalty, service, marketing and (importantly) price. The largest competitors, Mondelēz included, fight to distinguish their brands and build recognition with various marketing initiatives as well as with in store promotions. The level of competition dictates how much spending is required to distinguish ones brand and can therefore have a significant impact on margins.

FX Risk

- ~85% of Mondelēz' net revenue during 2013 was generated outside the US. Because the company is based in the US and transfers its earnings back into US\$ there is a high level of currency translation risk. A strengthening of the US\$ will have a significant impact on the financial performance of the business by off-setting the gains from underlying organic growth.



MONDELĒZ: ELEVATION CAPITAL VIEW & CONCLUSION

Margin of Safety

- Our “Margin of Safety” with Mondelez is not derived from the discount to its intrinsic value – it is derived from the power of its brands. We are not buying a good company at a great price, we are owning a great company at a fair price. Mondelez owns some of the most enduring brands in the snacks and confectionary category. It is a business with tremendous franchises with global durability and the potential for margins to increase and costs to be further reduced. We view recent pressure on management to apply more cost discipline in the wake of acquisitions by 3G as a positive and highlight the enhanced prospect of M&A activity in the industry.

Conclusion

- Mondelez currently trades in the middle of our intrinsic value estimates band. Large, stable businesses with high quality brands such as Mondelez will rarely trade at a significant discount to intrinsic value. However, we see significant upside potential in the business which it is not currently living up to. In the short to medium term Mondelez should focus on cutting unnecessary costs which will bolster earnings and cash flow. From there the Company can seek to increase distributions to shareholders.
- In the medium to long run however, Mondelez can and should pursue more transformative actions. A merger with PepsiCo/Frito Lay would create a merged entity with revenues of approximately US\$ 57B. The merged business would have considerable scale and would have a level of focus on snack foods and beverages which would be unique in the industry (Nestle has a far more diverse range of products and P&G has minimal exposure to snack foods). Mondelez pays a modest dividend, which there is considerable scope to increase, and it has a strong history of cash flow generation. It also has a strong balance sheet relative to its peers and holds a stable of enduring snack food and beverage brands.



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'INDEPENDENT THINKING – DISCIPLINED INVESTING'

INDEPENDENT THINKING

[In-de-pend-ent Think-ing] **ində'pendənt THiNkiNG** *verb*

Is essential to long-term investment success. We are often contrarian and do not pay attention to index compositions when making investment decisions. We believe that when you're several thousand miles away from Wall Street in a different nation, it's easier to be independent and buy the things that other people are selling, and sell the things that other people are buying. We also believe that cash is sometimes the most attractive investment.

DISCIPLINED INVESTING

[Dis-ci-plined In-vest-ing] **disciplinəd inves'ting** *verb*

The market presents opportunities every day, but disciplined investing is as much about the opportunities you do not take. Our investments are premised on the concept of "Margin of Safety" which we believe reduces risk.