Q1 2016 results

Investors and Analysts presentation

19 May 2016

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Serving people on the move

Q1 2016 results

1 Highlights
2 Financials
3 Conclusion

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Q1 2016 financial summary

Strong performance with double digit growth both at revenue and EBITDA levels

in CHF m	**Q1 2016**	**Q1 2015**	***Change***
Revenue	**743.3**	**669.9**	***11.0%***
FX effect	6.2		
Revenue @CC[1]	**749.5**	**669.9**	***11.9%***
Organic growth	34.2		*5.1%*
EBITDA[2]	**22.0**	**10.9**	***101.8%***
EBITDA margin	*3.0%*	*1.6%*	*1.4pp*
EBITDA @CC[1]	**23.8**	**10.9**	***118.3%***
EBITDA margin @CC	*3.2%*	*1.6%*	*1.6pp*
Cash used in operations	**(4.8)**	**(27.3)**	***82.4%***
Free cash flow	**(23.7)**	**(53.9)**	***56.0%***

Revenue

- Q1 2016 revenue of CHF 743.3 million, compared to CHF 669.9 million in Q1 2015 (up by 11.0%)
  - Organic growth of 5.1%
  - Net win / loss ratio of 0.8%
  - M&A of 6.0%
  - FX of (0.9)%

EBITDA

- Q1 2016 EBITDA @CC of CHF 23.8 million, compared to CHF 10.9 million in Q1 2015 (up by 118.3%)

Cash flow

- Free cash flow improved by 56.0% driven by:
  - Higher EBITDA
  - Improved working capital
  - Lower interest expense
  - Offset by higher capex

1. At constant currency
2. EBITDA refers to Segment EBITDA throughout the presentation

Note:
Figures may not add up due to rounding numbers

Gateway 2020–Q1 2016 achievements

Gateway 2020 delivery on track

Focus on the Core

- ✓ 5.1% organic revenue growth
- ✓ Strategic contract renewals, mainly United Airlines and American Airlines, reached more than CHF 170 million revenue p.a.
- ✓ Strategic 5-year contract extension for catering services with Hong Kong Airlines at their main hub in Hong Kong

Retail on board and commercial innovation

- ✓ IFS acquisition completed in Feb 2016, integration on track
- ✓ Strategic contract win in retail on board – for all 5 tour operator airlines of TUI Group
- ✓ InSeat portable onboard WiFi system
- ✓ New onboard trolley models incl. trolley for Illy coffee, freshly brewed and retailed at seat, trolley carrying Magnum Ice Cream, etc.
- ✓ Absolutely ONE concept providing restaurant-like dining style, more choice and 30% larger meal

Standardization and efficiency

- ✓ ZBB on track with savings confirmed and individual initiatives launched (CHF 50-60 million savings p.a. expected by 2017)
- ✓ 300 FTEs identified, ~75% of targeted reduction completed (CHF 20 million run-rate savings p.a. expected by end of the year)
- ✓ Global procurement function increasing traction

Geographic expansion

- ✓ 75% acquisition of largest Cambodian airline caterer, completed in Mar 2016
- ✓ Attractive business development opportunities identified, centered around Emerging Markets

EBITDA margin improvement target reached:
+25-50bps p.a. delivered in H2 2015 and Q1 2016, confirmed for FY 2016

Acquisition of Cambodia Air Catering Services (CACS)

Push into Emerging Markets advanced with presence established in Cambodia

About CACS

- **Number 1 inflight and airport lounge catering service provider in Cambodia,** one of the fastest growing aviation markets in Asia
- **The only Cambodian caterer with facilities in Phnom Penh and Siem Reap**, the country's main destinations for tourism, with capacity for expansion to meet future demand
- **Provides strong network of customers** including Dragonair, China Airlines, Bangkok Airways, and the Kingdom's flag carrier Cambodia Angkor Air

About the transaction

- **gategroup acquired 75% of CACS** in the Kingdom of Cambodia, one of the fastest growing aviation markets in Asia
- Transaction was completed in March 2016
- The addition of CACS will expand gategroup's ability to **bring innovative approaches** to new customers and geographies and will help **provide synergies in the Asian Pacific Region**

“

We are delighted to welcome our new Cambodian team members and customers to the gategroup community. This agreement marks an additional milestone under gategroup's Gateway 2020 strategy and validates our commitment to delivering a trusted brand of quality service.

Xavier Rossinyol, Chief Executive Officer

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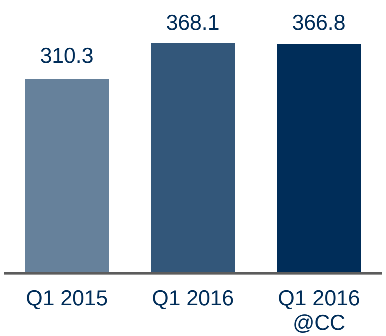
Performance by region

Revenue @CC increased in every region

EMEA

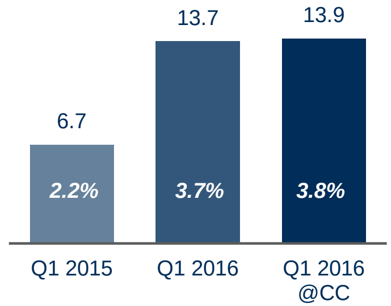
Revenue

Change *18.2%*



EBITDA

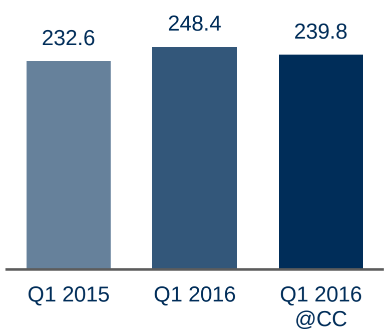
107.5%



North America

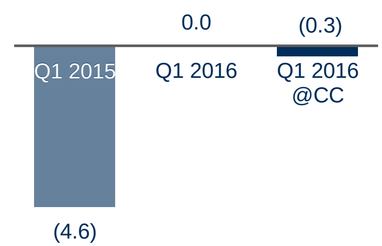
Revenue

Change *3.1%*



EBITDA

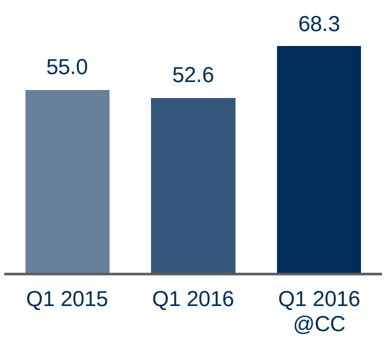
93.5%



Latam

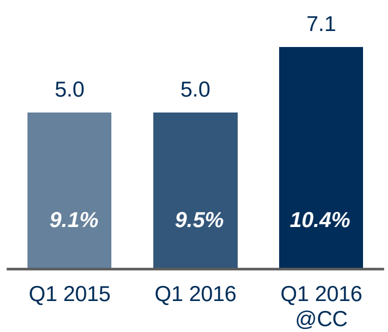
Revenue

Change *24.2%*



EBITDA

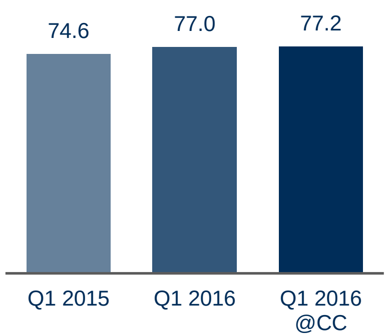
42.0%



APAC

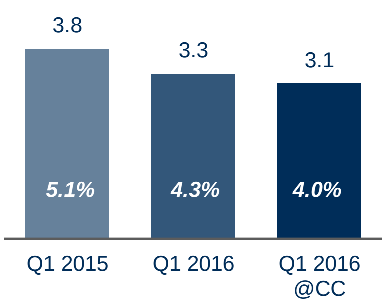
Revenue

Change *3.5%*



EBITDA

(18.4)%



Notes:
All figures in CHF million
Figures exclude revenue eliminations of CHF 2.8m in Q1 2016 and CHF 2.6m in Q1 2015
Figures may not add up due to rounding numbers

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World Travel Catering & Onboard Services Expo

gategroup showcased the latest trends to inspire, intrigue, and energize the total passenger experience

Culinary

- 33 of our top Executive Chefs shared their revolutionary culinary concepts with our guests

Innovation

- Absolutely ONE introduced, a distinctive onboard concept providing a restaurant-like dining style

Retail on board

- New onboard trolley models incl. trolley for Illy coffee, freshly brewed and retailed at seat, trolley carrying Magnum Ice Cream, etc.

Technology

- InSeat introduced, portable onboard WiFi solution, developed in partnership with Vodafone and Panasonic

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Income statement

Significant improvement in EBITDA and EBIT margins

in CHF m	Q1 2016	%	Q1 2016 @CC	%	Q1 2015	%
Revenue	**743.3**	**100.0%**	**749.5**	**100.0%**	**669.9**	**100.0%**
Cost of sales	(304.1)	(40.9%)	(304.5)	(40.6%)	(270.1)	(40.3%)
Personnel costs	(289.6)	(39.0%)	(292.7)	(39.1%)	(283.1)	(42.3%)
Opex	(127.6)	(17.2%)	(128.5)	(17.1%)	(105.8)	(15.8%)
EBITDA	**22.0**	**3.0%**	**23.8**	**3.2%**	**10.9**	**1.6%**
Management fees	0.2		0.2		0.3	
D&A	(16.4)		(16.2)		(14.5)	
Other operating costs	(4.3)		(4.6)		(3.1)	
EBIT	**1.5**	**0.2%**	**3.2**	**0.4%**	**(6.4)**	**(1.0)%**
Finance cost	(6.9)				(10.9)	
Share of associate profit	1.2				0.6	
FX	3.1				(18.0)	
(Loss) before tax	**(1.1)**				**(34.7)**	
Income tax	(4.9)				(2.9)	
Minority interest	(0.5)				(0.4)	
Net (loss) for the period[1]	**(6.5)**				**(38.0)**	

Commentary

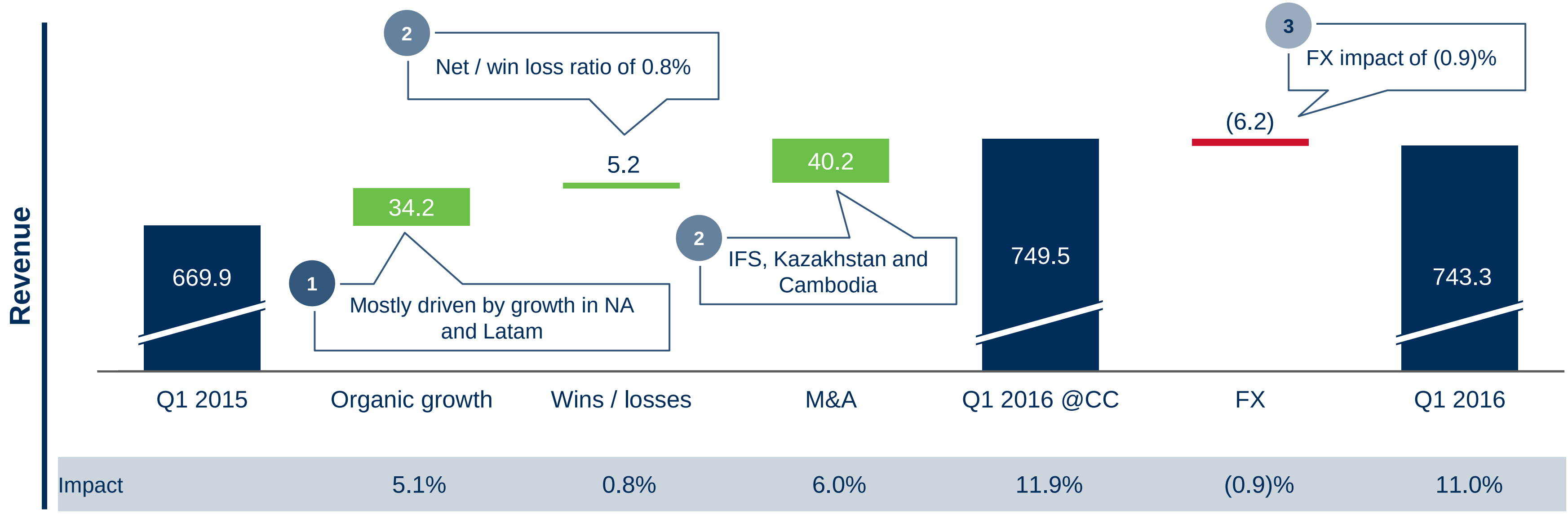
- **Revenue increased by 11.0%** to CHF 743.3 million, compared to CHF 669.9 million previous year
- **Personnel cost ratio decreased** as a result of the restructuring efforts
- **Opex increase** mostly **driven by increased customer profit share expense** due to IFS acquisition and adoption of its retail on board model
- **Strong EBITDA** of CHF 22.0m with **EBITDA margin increase** by 1.4pp to 3.0%
- D&A slightly increased as a result of IFS acquisition
- **Finance cost decreased significantly** driven by lower cost of debt, as a result of refinancing initiatives in 2015
- Net FX gain of CHF 3.1m as a result of more favorable Swiss Franc exchange rate vs. most major currencies in which gategroup operates

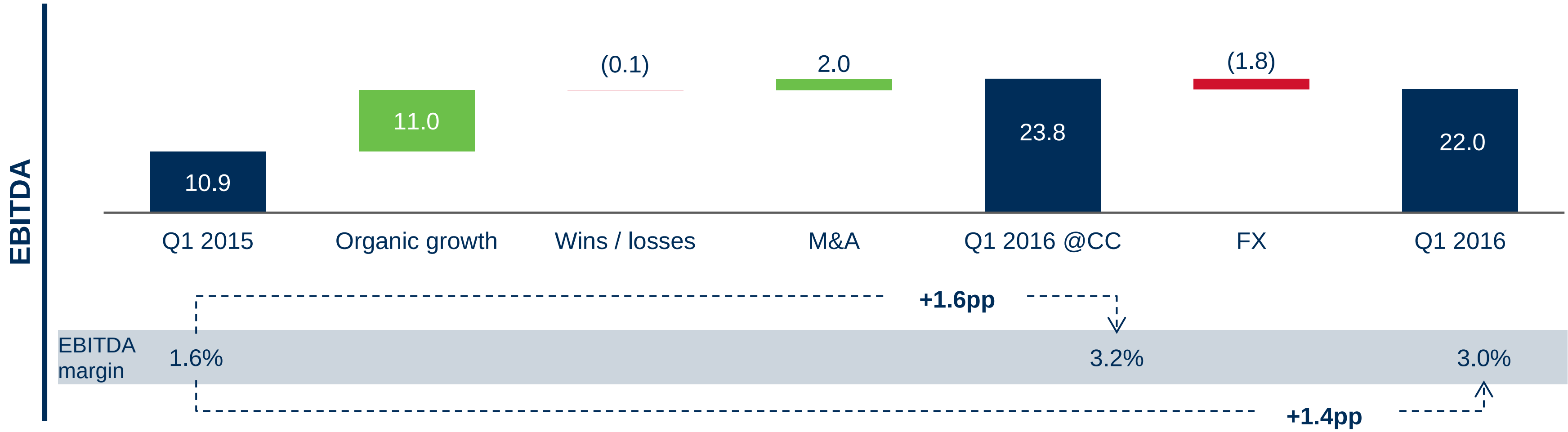
1. Attributable to shareholders

Note:
Figures may not add up due to rounding numbers

Revenue and EBITDA bridges

Robust organic revenue growth of 5.1 % at 32.2% organic EBITDA growth margin





Notes:
All figures in CHF million
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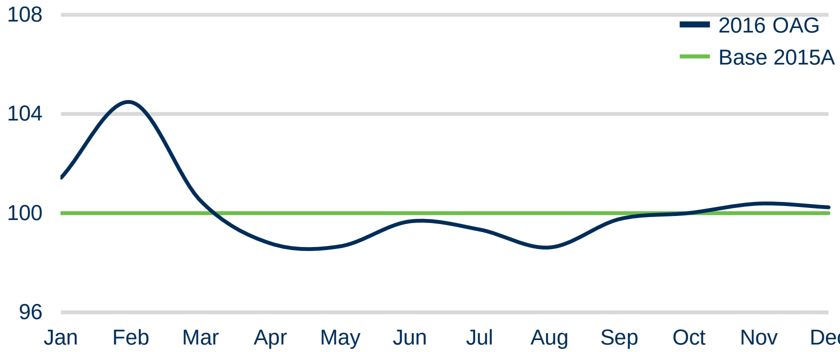
1 Organic growth drivers

Flight volume and load factors development indicate stable demand of air catering services

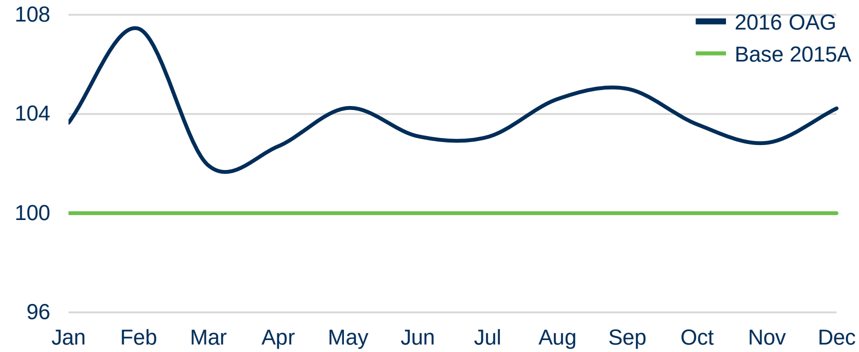
OAG flight volume

2016 OAG International Schedules – Group Like-for-Like
Index = month (n) 2016 / month (n) 2015 Actuals



Volume of international flights strong in Q1 with slight volume decrease in the rest of the year

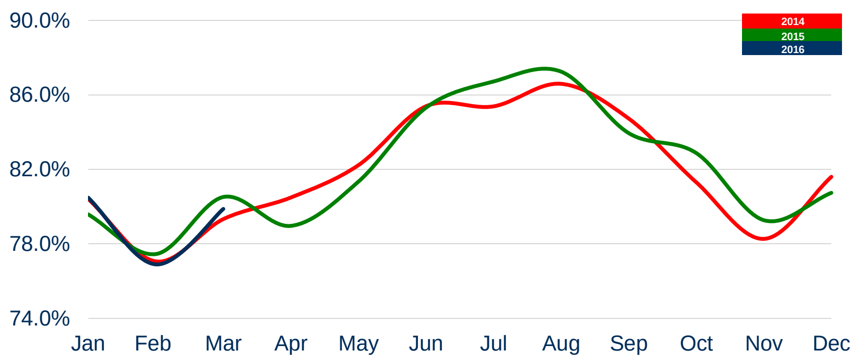
2016 OAG Domestic Schedules – Group Like-for-Like
Index = month (n) 2016 / month (n) 2015 Actuals



Strong global domestic flight volume throughout the year

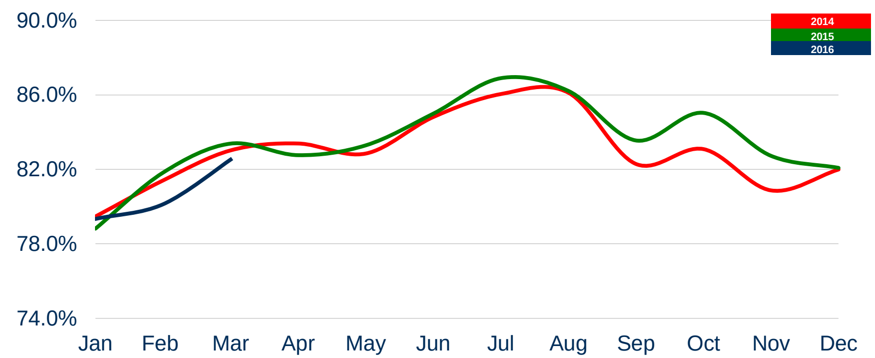
Load factors trends

gategroup's international load factor trend



International load factors in line with the prior year

gategroup's domestic load factor trend



Domestic load factors slightly below previous year

Source: Official Airline Guide schedules

2 Wins/losses and M&A drivers

Positive net win loss ratio at revenue level and strong M&A growth

Drivers

Wins

- SAS Warehousing and Distribution
- Emirates in Switzerland, Ireland and USA
- TUI Nordic in Scandinavia
- American Airlines in Sydney

Losses

- United Airlines in Chicago
- Virgin Atlantic in North America
- China Southern in EMEA, Australia and Asia
- Fedex in Memphis

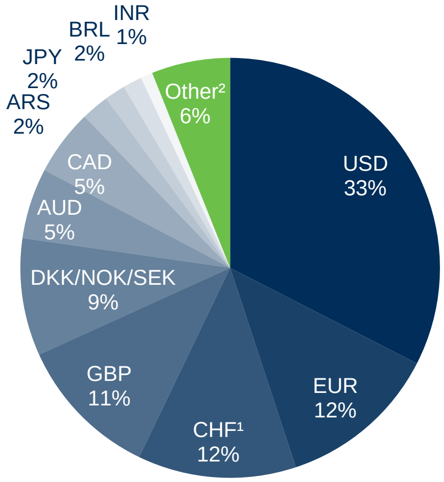
M&A

- IFS acquisition completed in Feb 2016
- Presence established at Astana International Airport in Kazakhstan in Oct 2015
- 75% CACS acquisition completed in Mar 2016

3 Foreign exchange development

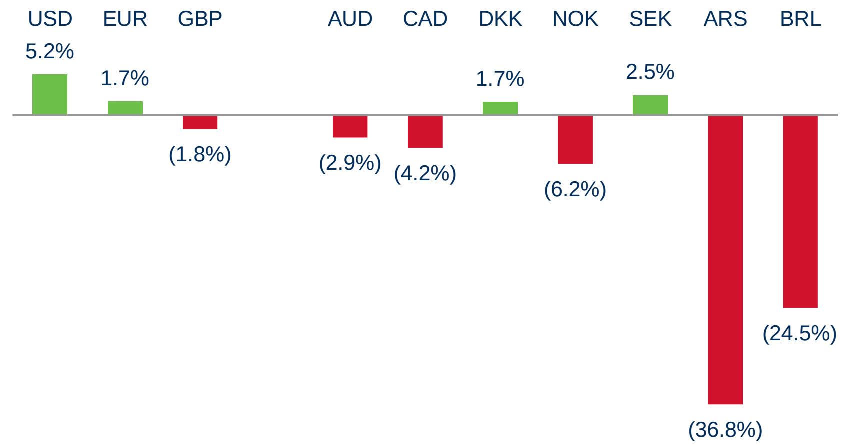
Revenues / costs generated in matching foreign currencies create natural hedge

Q1 2016 revenue by currency

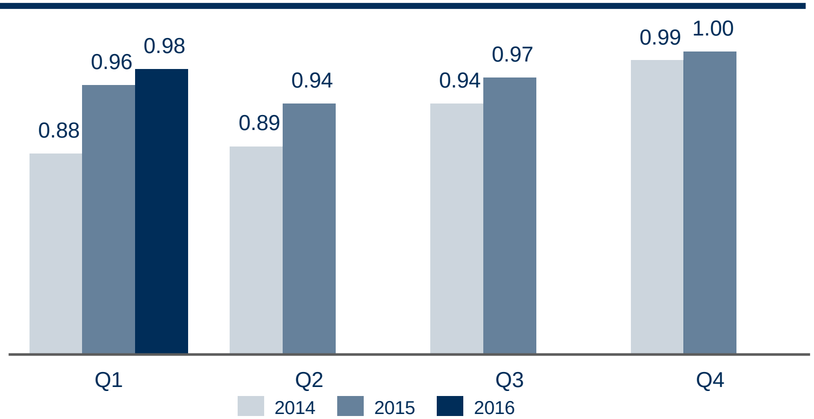


Q1 2016 impact on revenue (in CHF m)	
USD	10.0
EUR	1.6
GBP	(1.7)
ARS	(9.2)
AUD	(1.2)
CAD	(1.7)
NOK/SEK	1.1
JPY	0.8
BRL	(3.6)
Other	(2.4)
gategroup total	**(6.3)**

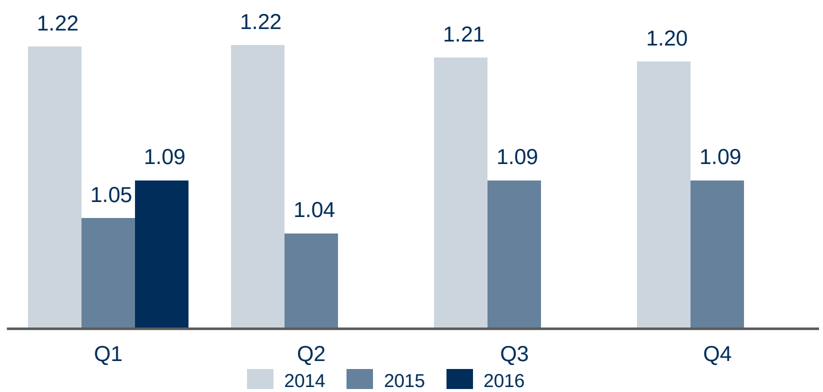
Q1 2016 average currency movement vs. CHF



USD / CHF development



EUR / CHF development



1. Currency of domicile of the company
2. Other include CLP, CNY, COP, HKD, KZT, MXN, NZD, PEN, PHP, PKR, SAR, SGD, THB, TRY and ZAR

Note:
Figures may not add up due to rounding numbers

Balance sheet

Completion of IFS acquisition resulted in increased net debt and goodwill

Assets

in CHF m	Q1 2016	Q1 2015
Plant, property & equipment	279.7	288.1
Goodwill	405.9	280.0
Other intangibles	186.1	129.6
Other non-current assets	94.6	103.9
Inventory	113.6	90.0
Trade receivables	285.4	283.1
Other current receivables and current assets	118.5	108.9
Cash & cash equivalents	113.2	114.3
Total assets	1'597.0	1'397.9

Liabilities

in CHF m	Q1 2016	Q1 2015
Total borrowings	531.1	369.4
Provisions	99.4	52.4
Retirement benefit obligations	209.9	207.4
Other non-current liabilities	25.0	17.8
Trade payables	144.1	150.0
Other current payables incl. inc. tax payables	73.0	71.0
Accrued expenses	324.1	260.6
Shareholder’s equity & NCI	190.4	269.3
Total equity & liabilities	1'597.0	1'397.9

Commentary

- **Net debt** of CHF 417.9m, **driven by drawing for IFS transaction financing**
- Trade working capital of CHF 254.9m
- **Healthy debt to equity ratio** of 2.9x
- **Increased goodwill** to CHF 405.9m and other intangibles to CHF 186.1m, as a result of the IFS acquisition, completed in Feb 2016

Note:
Figures may not add up due to rounding numbers

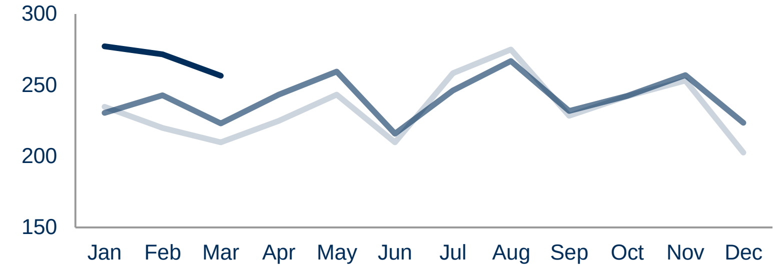
Cash flow statement

Cash flow improvement driven by higher EBITDA, improved working capital and lower interest

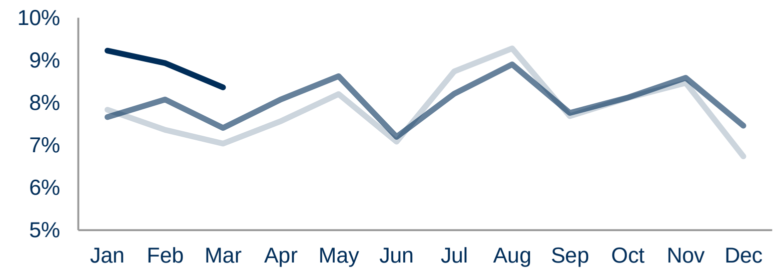
Cash flow summary

in CHF m	Q1 2016	Q1 2015
EBITDA	**22.0**	**10.9**
Change in trade receivables	0.5	(11.2)
Change in inventory	2.5	0.8
Change in trade payables	(34.6)	(24.5)
Change in other current assets / liabilities	14.7	(2.3)
Changes in working capital	**(16.9)**	**(37.2)**
Changes in provisions, tax and other	(9.9)	(1.0)
Cash used in operations	**(4.8)**	**(27.3)**
Capex[1]	(12.6)	(9.9)
Operational free cash flow	**(17.4)**	**(37.2)**
Interest	(2.4)	(12.8)
Income taxes	(3.9)	(3.9)
Free cash flow	**(23.7)**	**(53.9)**
Other investing and financing activities	34.1	(2.6)
Dividends paid	-	-
Change in cash	**10.4**	**(56.5)**

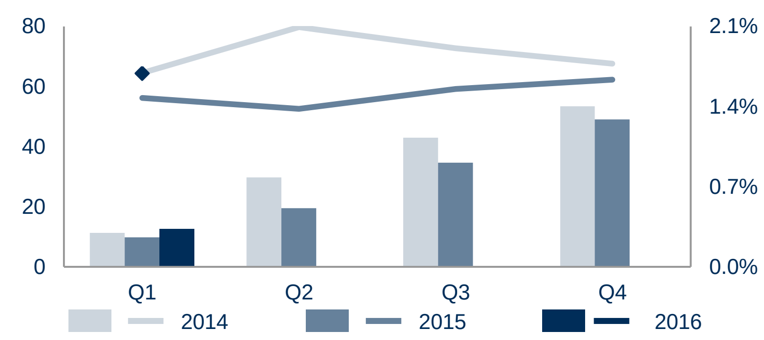
Net working capital evolution (CHF m)



Net working capital as % of revenue evolution (%)



Capex and capex as % of revenue (CHF m / %)



1. Net of proceeds from sale of assets, Q1 2016 mostly driven by refurbishment of Sao Paolo unit

Note:
Figures may not add up due to rounding numbers

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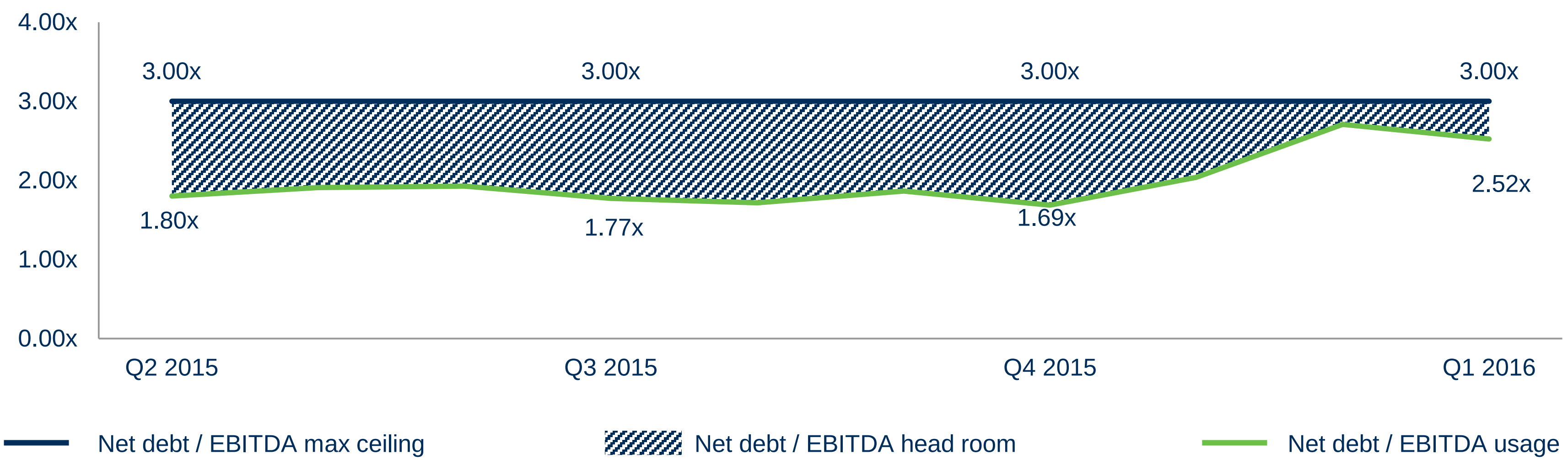
Debt information

Facilities & Term Loan

Summary

Instrument	Lender	Currency	Facility: Amount	Facility: Drawn	Facility: Drawn %	Interest: Rate	Interest: Amount p.a.	Maturity
RCF	8 banks	EUR	350.0	226.7	65%	2.47%	5.6	2020
Term Loan	10 banks	EUR	250.0	250.0	100%	2.65%	6.6	2020
			600.0	**476.7**	**79%**		12.2	

Leverage ratio



Q1 2016 results

Delivering

Continued positive development in all areas of the business

1 Strong Q1 2016 performance with **revenue** growth of 11.0% up to CHF 743.3 million (**CHF 749.5 million @CC, up by 11.9%**)

- Organic growth of 5.1%
- Net win / loss ratio of 0.8%
- M&A of 6.0%
- FX of (0.9)%

2 Significant acceleration in Q1 2016 **EBITDA** up by 101.8% to CHF 22.0m and **CHF 23.8 million @CC, up by 118.3%**; 3.0% EBITDA margin and 3.2% EBITDA margin @CC vs. 1.6% in Q1 2015

- +1.4pp EBITDA margin improvement q-o-q
- +0.7pp EBITDA margin average improvement every quarter since Gateway 2020 implementation

3 **Gateway 2020 strategy embedded and advancing in all fronts**

- Focus on the Core – major contract renewals completed with revenue value of more than CHF 170m p.a.
- Commercial innovation – retail on board step up thanks to IFS acquisition completion; integration well in progress
- Geographic expansion – push into Emerging Markets advanced with presence established in Cambodia
- Standardization and efficiency – as planned progress on ZBB (CHF 50-60 million savings p.a. expected by 2017) and FTE reduction (~75% of targeted reduction completed implying CHF 20 million run-rate savings p.a. expected by end of the year)


Thank you
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