

valora

k kiosk Bern HB Welle



H1 2016 RESULTS

JULY 29, 2016



Agenda

1 EXECUTIVE SUMMARY

Results in a nutshell

2 RESULTS HALF YEAR 2016

In-depth review of
income statement,
balance sheet, cash flow
and results

3 GUIDANCE AND OPERATING PROGRESS

Confirmation of 2016 and
medium-term guidance

Group performance in line with plans

H1 2016 executive summary



CUSTOMERS

- Highly satisfactory same-store results at Retail Germany and Ditsch
- Swiss retail sales remain weak
- Brezelkönig resumes growth



STRATEGY

- Naville synergies largely realised
- Implementation of strategic initiatives mostly on track



FOCUS

- Successful divestment of Naville Distribution
- Building disposal to follow



FINANCIALS

- + 47% EBIT growth in H1 2016
- FY 2016 expectations confirmed at higher end of guidance range



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Retail strong | Food Service performing well

HY 2016 highlights



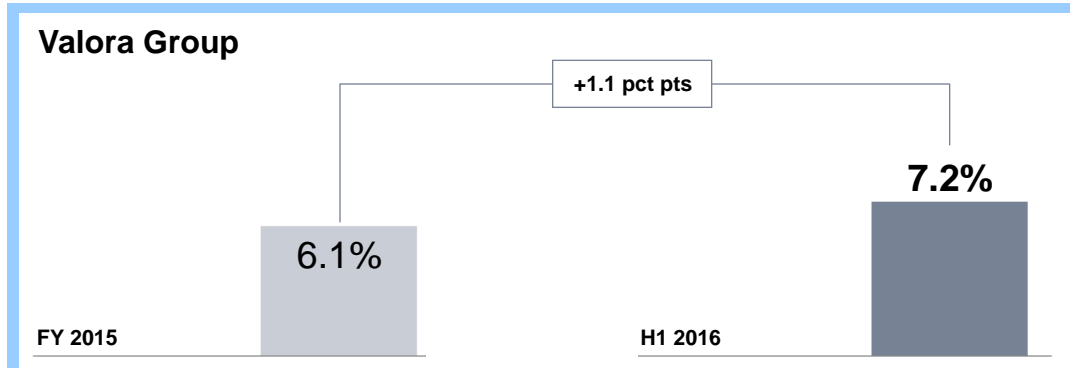
- **Switzerland:** coffee roll-out on track, synergies from initiated reorganisation and Naville already largely realised, potential for improvements in footfall → Samestore: 97.0
- **Germany:** stable operations, strong same-store growth driven by food and tobacco → Samestore: 104.7



- **Ditsch Retail:** strong same-store sales (+2%), expansion of network with net 3 outlets vs. H1 2015 (16 openings, 13 closings)
- **Ditsch B2B:** improved margin due to portfolio optimisations, preparing for production line extension
- **Brezelkönig CH:** resuming same-store growth, network expanded by a net 8 outlets vs. H1 2015 (9 openings, 1 closing)
- **Brezelkönig Int.:** concept and operational adjustment implemented, good performance of 1st high-frequency location in Graz

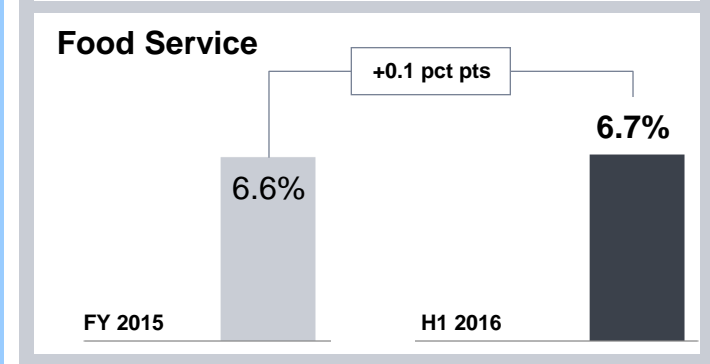
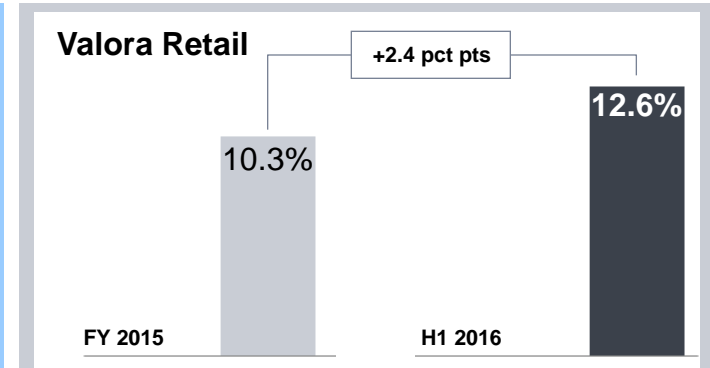
ROCE for the Group heading to medium-term target of 8%

ROCE for 12 months to 30.6.2015 vs. 12 months to 30.06.2016



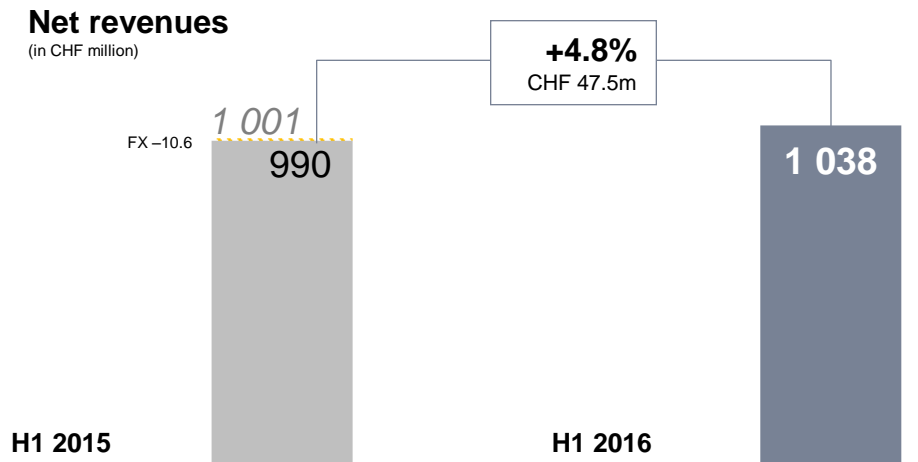
- **Group:** Significantly improved profitability (EBIT) and stable capital employed increased ROCE by +1.1 percentage points
- **Retail:** all units above 10%, Retail CH/AT (including Naville Retail) leap-frogging to almost 14%
- **Food Service:** slight increase by +0.1 percentage points to 6.7%

Calculation basis Average capital employed over last 13 months incl. goodwill | EBIT for last 12 months | cash allocated to Group, not divisions



Positive momentum at Retail Germany | Ditsch wholesale with further growth

Valora Group net revenues



- **Group:** growth of CHF +47 million
- **Switzerland:** Naville full-year effect overcompensates for market challenges and network optimisations (-25 outlets)
- **Germany:** same-store growth (drivers: own brands, food, cigarettes), more Valora operated outlets, network optimisation (net -48 stores)
- **Ditsch:** growth in retail and wholesale (on strong H1 2015)
- **Brezelkönig:** expanding (8 outlets) and resuming same-store growth

Division Country <i>in CHF million</i>	H1 2015	H1 2016	Δ in %	Δ in % (local currency)	Same store index
Valora Group	990.3	1 037.8	4.8	3.7	
<i>Switzerland</i>	697.0	714.4	2.5	2.5	
<i>Europe</i>	293.3	323.4	10.2	6.4	
Retail	874.9	912.9	4.3	3.4	
<i>CH AT</i>	640.0	645.6	0.9	0.8	97.0
<i>Naville Distribution*</i>	33.8	48.5	43.2	43.2	
<i>DE Lux</i>	212.5	238.1	12.0	8.1	104.7
Food Service	115.4	124.3	7.7	5.3	
<i>Ditsch</i>	73.4	77.7	5.9	2.2	102.0
<i>Other formats**</i>	42.1	46.7	10.9	10.9	100.9

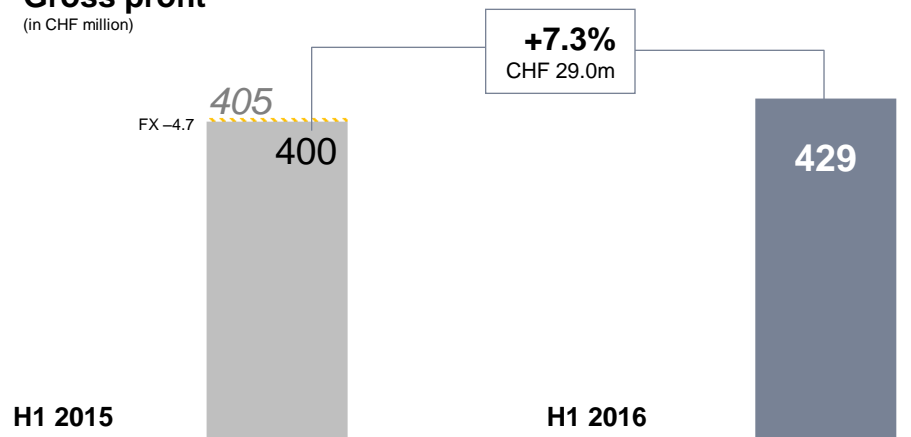
* incl. Intercompany revenues | **incl. Brezelkönig Switzerland, Brezelkönig International, Subway and Spettacolo

Gross margin heading towards mid-term target of 42%

Valora Group gross profit

Gross profit

(in CHF million)



- **Group:** gross profit margin increase of +0.9 percentage points
- **Switzerland:** promotions and optimised sourcing support increase in profitability
- **Germany:** net revenue driven gross profit growth plus slightly increased margin
- **Food Service:** gross margin improved by +1.3 percentage points thanks to better wholesale mix

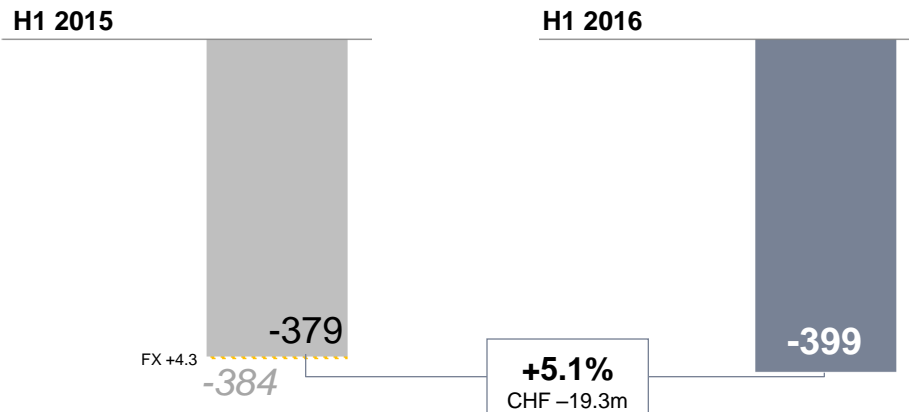
Division Country <i>in CHF million</i>	H1 2015	H1 2016	Δ in %	Δ in % (local currency)	Gross margin (in % of NR)	Δ in %p
Valora Group	400.1	429.1	7.3	6.0	41.4	0.9
Retail	311.8	331.9	6.4	5.5	36.4	0.7
<i>CH AT</i>	<i>225.0</i>	<i>230.8</i>	<i>2.6</i>	<i>2.6</i>	<i>35.8</i>	<i>0.6</i>
<i>Naville Distribution</i>	<i>12.8</i>	<i>17.9</i>	<i>39.1</i>	<i>39.1</i>	<i>36.8</i>	<i>-1.1</i>
<i>DE Lux</i>	<i>74.0</i>	<i>83.2</i>	<i>12.4</i>	<i>8.5</i>	<i>35.0</i>	<i>0.1</i>
Food Service	88.3	96.7	9.5	7.2	77.8	1.3

Cost savings in Switzerland already largely realised

Valora Group operating costs

Operating costs

(in CHF million)

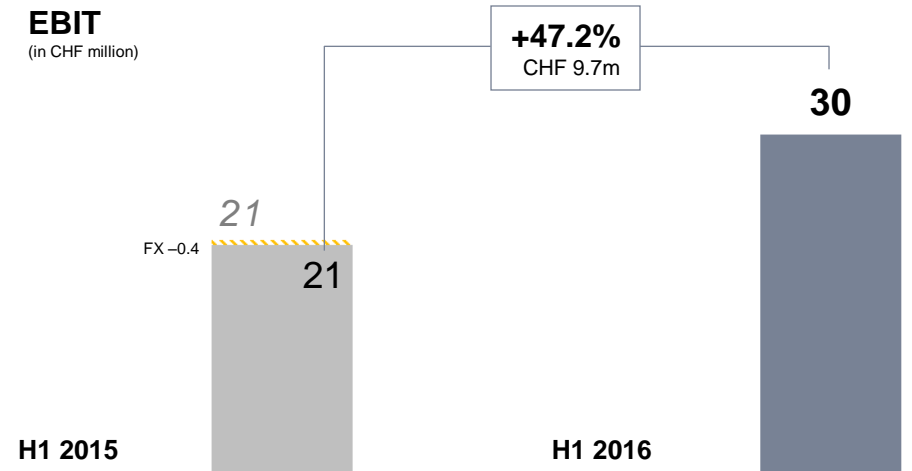


- **Group:** costs raised by Naville full-year effect, invest into FS network, more own operated units in DE and Naville Distribution project costs
- **Switzerland:** cost savings through Naville synergies and reorganisation already mostly realised, network optimisation, full-year effect Naville
- **Germany:** significant +1.5 percentage point improvement in cost ratio
- **Food Service:** costs raised by general network expansion, higher production volume and Brezelkönig Int. expansion

Division Country <i>in CHF million</i>	H1 2015	H1 2016	Δ in %	Δ in % (local currency)	Cost ratio (in % of NR)	Δ in %p
Valora Group	-379.5	-398.8	5.1	3.9	-38.4	-0.1
Retail	-297.2	-308.4	3.7	2.8	-33.8	0.2
<i>CH AT</i>	-216.0	-217.2	0.5	0.5	-33.6	0.1
<i>Naville Distribution</i>	-10.0	-15.0	49.2	49.2	-30.9	-1.2
<i>DE Lux</i>	-71.2	-76.2	7.0	3.4	-32.0	1.5
Food Service	-77.0	-85.0	10.4	8.0	-68.4	-1.7
Other/Corporate	-5.3	-5.4	3.3	3.3		

Retail drives marked increase in Group profitability

Valora Group earnings before interest and taxes



- **Group:** strong result overall, increase of +47% versus previous year results in 2.9% EBIT margin (+0.8 pct pts)
- **Switzerland:** realisation of projected cost improvements and synergies, higher promotions and Naville (January/February)
- **Germany:** strong top line has direct positive impact on EBIT
- **Food Service:** resuming growth despite margin dilution of -0.4 pct pts

Division Country <i>in CHF million</i>	H1 2015	H1 2016	Δ in %	Δ in % (local currency)	EBIT margin in %	Δ in %p
Valora Group	20.6	30.4	47.2	44.4	2.9	0.8
Retail	14.6	23.5	61.0	59.4	2.6	0.9
<i>CH AT</i>	9.0	13.6	52.0	52.3	2.1	0.7
<i>Naville Distribution</i>	2.8	2.9	2.8	2.8	5.9	-2.3
<i>DE Lux</i>	2.8	7.0	147.5	134.4	2.9	1.6
Food Service	11.3	11.7	3.7	1.5	9.4	-0.4
Other	-5.2	-4.8	-8.0	-8.0		

Net profit significantly increased

Valora Group net profit

Net profit (in CHF million)	H1 2015	H1 2016
EBIT	20.6	30.4
Financing activities, net	-10.5	-9.7
Earnings before taxes	10.1	20.7
Income taxes	-1.4	-3.1
Net profit from continuing operations	8.7	17.6
Net result from discontinued operations	-34.9	0.2
Group net result	-26.3	17.8

- Net financial result in line with expectations
 - Includes CHF -3.5 million exceptional costs due to close out of interest rate swap (EUR 72 million) linked to refinancing of Schuldschein issue
 - Offset by lower FX losses than in H1 2015 (CHF +3.8 million)
- Tax rate of 15% in line with medium-term projections

Year-on-year improvement in balance sheet metrics

Valora Group balance sheet

Balance sheet (in CHF million)	H1 2015	FY 2015	H1 2016
Total assets	1 313.9	1 220.2	1 162.3
Cash, cash equivalents	67.1	116.3	84.0
Goodwill	507.4	513.2	511.0
Net working capital <i>NWC in % of net revenues</i>	28.1 1.4%	1.2 0.1%	25.3 1.2%
Net debt (incl. discontinued operations) <i>Leverage ratio</i>	314.4 2.59	251.1 2.10	286.4 2.24*
Shareholders' equity <i>Equity cover</i>	489.2 37.2%	506.0 41.5%	476.9 41.0%
Capital employed (average)	965.2	903.1	894.7

- Total assets lower due to cash disbursement for dividends in H1 2016 and lower investments in tangible assets
- Leverage ratio significantly improved vs H1 2015, only slightly higher than year-end 2015 due to dividend payment
- Comfortable equity cover, +3.8 percentage points higher versus H1 2015

* Trade not included

Solid free cash flow in line with expectations

Valora Group cash flow statement

Cash flow (in CHF million, excluding discontinued operations)	H1 2015	H1 2016
EBIT	20.6	30.4
Depreciation and amortisation	27.1	27.4
EBITDA	47.7	57.8
Elimination of non-cash items	3.2	4.2
NWC and current assets	- 0.2	- 16.9
Interest, tax expense (net)	- 12.3	- 13.4
Cash flow from operations	38.4	31.7
Capital expenditure	- 23.9	- 15.6
Asset disposals	0.9	1.5
Cash flow from regular investment activities	- 23.1	- 14.2
Free cash flow	15.3	17.6

- Net working capital changes primarily driven by strong improvements in 2015 and phasing effects in 2016
- Lower capital expenditure thanks to selective investment process and backend loaded expansion of store network and production facility at Ditsch Germany

Successful sale of Naville Distribution to 7days Group

Valora Group divestment

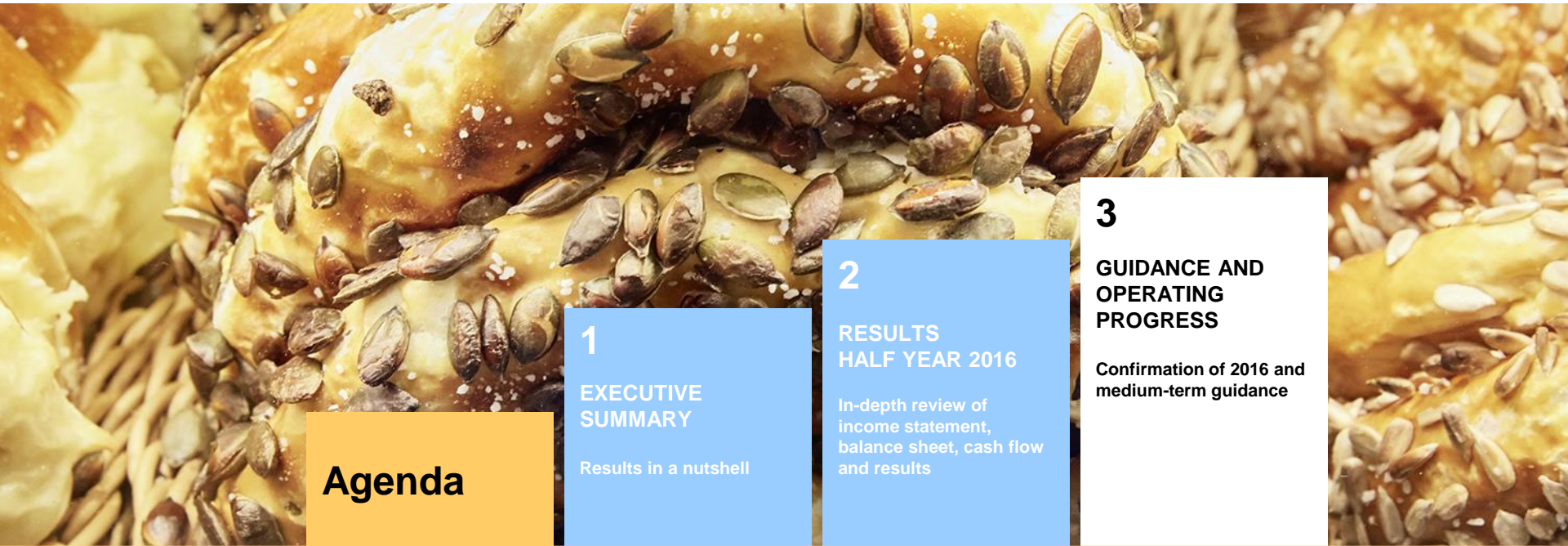
FACTS AND FIGURES

- Distribution business acquired as part of the Naville transaction in February 2015
 - Distribution and Geneva HQ building identified as non-core assets and up for sale
-
- Net revenues of CHF 100 million expected in 2016
 - EBIT of CHF 2.9 million in H1 2016
 - Net cash proceeds of CHF 23 million

BUSINESS PARTNER



- The number 1 in Swiss press distribution
- Supplies around 5,000 press outlets
- ~ 7,500 drop-off points in Switzerland



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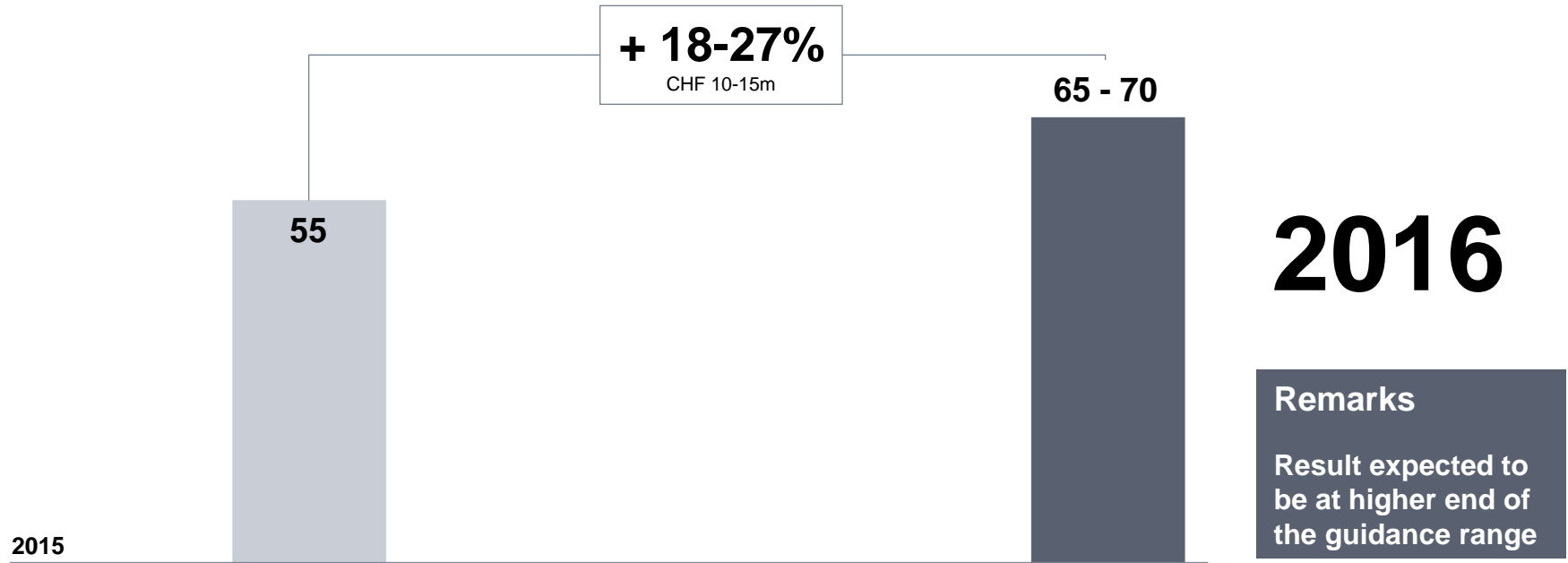
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Confirmation of EBIT guidance for 2016

Valora Group guidance



Main initiatives with tangible targets: progress year-to-date

2016 and beyond

FOOD

- COFFEE MODULES: AT 800 POS
- DITSCH: EXPANSION OF PRODUCTION
- OK.- ENERGY DRINKS IN DE (>10 M CANS)

- July 2016: 75 POS with Starbucks and 120 POS with Spettacolo modules
- Preparation work done, in progress for H2 2016 | H1 2017
- ~ 3 million cans sold YTD, successful sponsoring/promotion

NETWORK

- BREZELKÖNIG INTERNATIONAL: ~ 100 POS
- GERMANY: ~ 50 NET NEW STORES (BY 2018)
- D/BK: ~ 50 NEW OUTLETS IN CH/DE (BY 2018)
- NAVILLE STORE REBRANDING/INTEGRATION

- 6 POS running, 1st high-frequency outlet in Graz (Austria), operating and franchise model defined, roll-out 2017
- Net -23 but increased number of Valora and franchise POS by +71, while reducing lower-value partner segment
- 10 POS in H1 2016 (excl. 5 closings), FY 2016: ~20 (openings)
- First Naville stores rebranded (goal: completion by 2017)

Main initiatives with tangible targets and progress year-to-date

2016 and beyond

SERVICES

➤ LOYALTY APP IN ALL FORMATS (END 2018)

➤ DEVELOP PROFITABLE CONSUMER FINANCE BUSINESS

➤ Caffé Spettacolo App established, Brezelkönig App pilot planned for H2 2016

➤ bob Finance: positive Life Time Value (LTV*) in Q2 2016

ORGANISATION

➤ EFFICIENCY PROGRAM OF CHF 15-20 MILLION

➤ ENHANCED SOURCING, PROMOTIONS AND CATEGORY MANAGEMENT

➤ ~ 2/3 cost reduction realised on a full-year 2016 basis, Naville and reorganisation effects already almost fully implemented

➤ Naville with significant impact, positive promotion effects in CH | margin increases in Retail by +0.7 percentage points

* LTV – Life Time Value: projected revenues from issued credits during a certain period versus actual operating costs in the same period

Progress in medium-term guidance

Valora Group guidance

TARGETS







GROSS PROFIT

- **1.0 – 3.0% GROWTH p.a.**
 - R CH/AT -1 – +1%
 - R DE/LU +2 – 4%
 - Food Service +5 – 7%
- **42% GROSS PROFIT MARGIN EARLIEST 2018**

EBIT

- **4.0% EBIT MARGIN EARLIEST 2018**

PROGRESS (% in local currency)

-  6.0% Excluding Naville 2.9%
-  2.6% Excluding Naville -1.4%
-  8.5% Excellent performance due to top-line increase
-  7.2% Same-store growth and expansion in retail as well as wholesale portfolio optimisations
-  41.4% Development fully on track +0.7 pct pts vs. FY 2015, +0.9 pct pts vs. H1 2015, gross-profit margin excl. Naville Distribution = 40.8%
-  2.9% Increase from 2.7% in FY 2015 and from 2.1% in H1 2015, EBIT margin 2.7% excl. Naville Distribution

Contacts & Corporate calendar

Contacts

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Corporate calendar

2016 Full-year results

February 28, 2017

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