

A smiling man and woman are sitting at a table in a restaurant, eating burgers. The woman is on the left, looking towards the man on the right. They are both smiling and appear to be enjoying their meal. The background is slightly blurred, showing a bright, modern interior.

valora

MEDIA & ANALYSTS' CONFERENCE CALL

**ACQUISITION OF BACKWERK AND
EXPANSION OF PRODUCTION CAPACITY**

ZURICH, 18 SEPTEMBER 2017

TODAY'S HIGHLIGHTS

CREATING GERMANY'S #1 SNACK PROVIDER

Unique self-service snacking concept with strong brand recognition in Germany

One of the leading franchise platforms in Germany at diverse locations (city and rail) with cross-border prove-of-concept

Strengthening Valora's Food Service competence and capitalisation on the global trend of out-of-home food consumption

Contributing to overall margin expansion of Valora's core business



EXPANSION OF PRODUCTION CAPACITY

Investment in US production platform to accelerate penetration of the second largest pretzel market worldwide

Pretzel production capacity expansion supported by strong market momentum in out-of-home consumption

Further strengthening of vertical integration capabilities



AGENDA

1. ACQUISITION OF BACKWERK
2. EXPANSION OF PRODUCTION CAPACITY
3. FINANCING & GUIDANCE



BUY-AND-BUILD STRATEGY IN FOOD SERVICE

2000



One of leading coffee concepts in Switzerland

- In-house development of a Italian-themed coffee-bar concept at 38 highly frequented locations
- Successful roll-out of > 650 coffee modules in 2016 in own convenience formats



2012



Leading manufacturer and retailer of pretzels

- Build a strong out-of-home food consumption platform with the goal to expand internationally
- Exploit the vertically integrated value chain with own production facilities and B2C/B2B distribution



2017



US-based pretzel producer

- Establish a US production footprint to rapidly penetrate the US pretzel market



2017



Leading self-service snacking concept

- Strengthen the food service offering with broad “feel-good” assortment at rail and city locations
- Further expansion of German business and international footprint



Value creation

LANDMARK ACQUISITION IN OUT-OF-HOME SNACKING



Strengthening Food Service competence with a complimentary food concept

- Reinforces Valora's Food Service capabilities adding a prominent franchise snacking concept
- Accelerated expansion into attractive and growing out-of-home market
- Combination with Valora creates market leader in the German snack market

Well-known and highly attractive franchise concept

- One of the best rated franchise platform for snacking in Germany, Austria and the Netherlands
- Asset-light and profitable franchise model
- Well-diversified, predominantly single-franchisee base
- Broad and flexible food assortment, adaptable to consumer trends
- High capture rate allows operations also of diverse locations

Established franchise platform for international expansion

- BackWerk with additional international growth potential and an excellent platform to accelerate Brezelkönig's international expansion
- Ambition to establish BackWerk's concept in Switzerland

A synergistic deal – providing scale, complementary of assortment and geographic presence

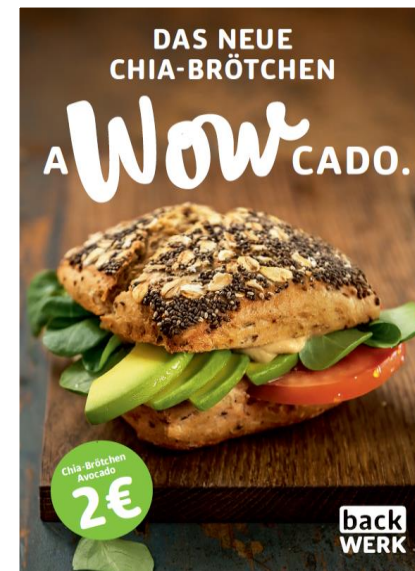
- Value creation by combined scale in platform, cross-selling and expansion
- Highly complementary geographic footprint



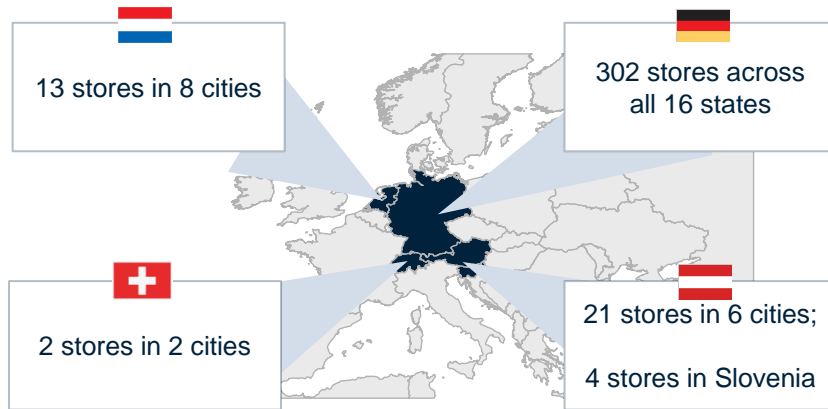
BACKWERK ACQUISITION – TRANSACTION OVERVIEW



STRUCTURE	<ul style="list-style-type: none">▪ Cash acquisition of 100% BackWerk shares from Swedish financial investor EQT and other minority shareholders
FINANCIAL CONSIDERATIONS	<ul style="list-style-type: none">▪ Enterprise value of ~190 mEUR (“cash and debt free”)▪ ~55 mEUR in net revenues and ~26% operating EBITA margin in 2017E▪ Acquisition 2017E EBITA multiple of ~13x (before synergies)▪ Yearly single-digit million synergy potential
TIMING	<ul style="list-style-type: none">▪ Subject to approval by the German Bundeskartellamt▪ Closing expected in Q4 2017
TRANSACTION HIGHLIGHTS	<ul style="list-style-type: none">▪ Accretive to Valora’s growth and margin profile▪ Exclusive sales process▪ Senior management with substantial M&A track record, backed by experienced external deal team



BACKWERK AT A GLANCE



342 stores

Single franchise concept

224 franchisees

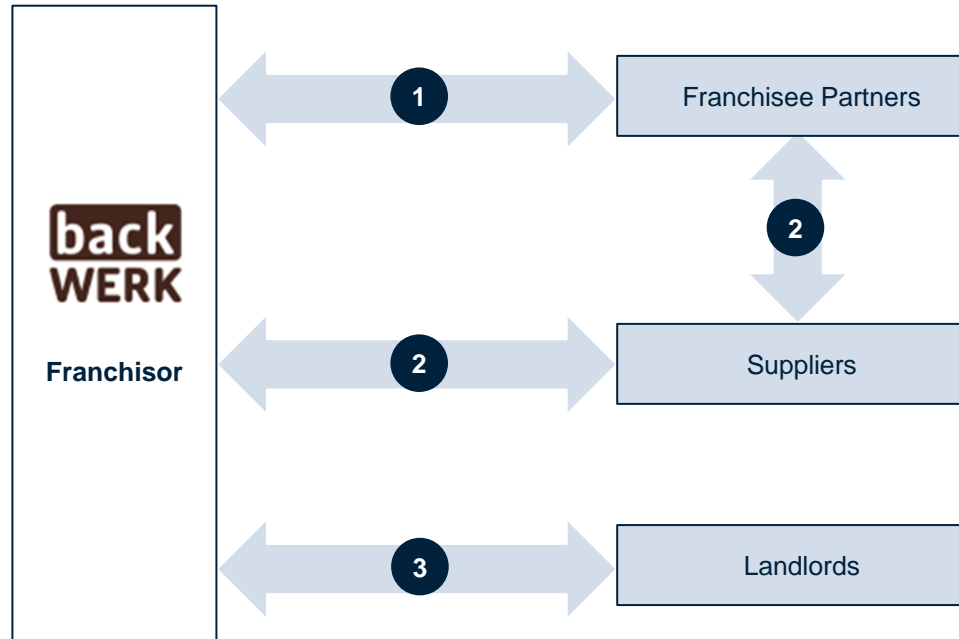
> 200 mEUR system revenues in 2016

Own training academy for franchisees

75% out-of-home revenue share

Headquarter in Essen with >100 FTEs

FRANCHISE BUSINESS MODEL OF BACKWERK



- 1** Franchise agreement:
- Investments by franchisee
 - Franchise fee paid to BackWerk

- 2** Supplier agreements:
- Delivery from supplier directly to franchisee
 - Terms agreed by BackWerk

- 3** Lease agreements:
- Lease payment charged to franchisee

EVOLUTION OF THE BRAND STRATEGY

Successful rebranding into a young, fresh, innovative lifestyle convenience food brand



1 BackWerk’s successful rebranding further underpins transformation into a leading quick-service, high frequency convenience player

2 Product focus was accordingly shifted away from blank buns and breads towards innovative, trendy out-of-home food

WRAP-UP AND OUTLOOK

- Landmark acquisition creating # 1 snack provider in Germany
- Continuation of Valora's successful value creating buy-and-build strategy
- Yearly single-digit million synergy potential: combined scale in platform, cross-selling and expansion
- Scalable BackWerk franchise model allows asset-light international expansion
- Current top management of BackWerk will stay on board and headquarter remains in Essen (Germany)



RETAIL

Switzerland & Austria

kiosk

Press R&B Books

avec

Germany &
Luxembourg

kiosk

Press R&B Books

avec

cigo

ServiceStore DB

FOOD SERVICE

Switzerland



Germany

back
WERK

Ditsch

USA

PRETZEL
BARON

AT, NL, FR

back
WERK



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CONSUMER TRENDS DRIVE OUT-OF-HOME MARKET



Source: NPD, GFK, Technovia , Company research

PRODUCTION CAPACITY EXPANSION OF ~50 mEUR

SIGNIFICANTLY ROCE ENHANCING AFTER RAMP-UP PHASE

	Production facilities	Capacity expansion	Expected "going-live"
GER	Oranienbaum, DE Site area: ~ 40'000m ² Production area: ~ 10'000m ² In operation since 1999	<ul style="list-style-type: none"> ▪ New production building (with room for 2 production lines) including frozen products warehouse ▪ One production line 	Q2 2019
	Mainz, DE Site area: ~ 10'000m ² Production area: ~ 2'500m ² In operation since 1990		
USA	Cincinnati, USA Site area: ~ 16'000m ² Production area: ~ 5'000m ² In operation since 2016	<ul style="list-style-type: none"> ▪ Capacity expansion of existing line ▪ New production line ▪ Enlargement of frozen products warehouse 	Q2 2019
CH	Emmenbrücke, CH Site area: ~ 7'000m ² Production area: ~ 1'000m ² In operation since 2000		

Source picture: Google maps

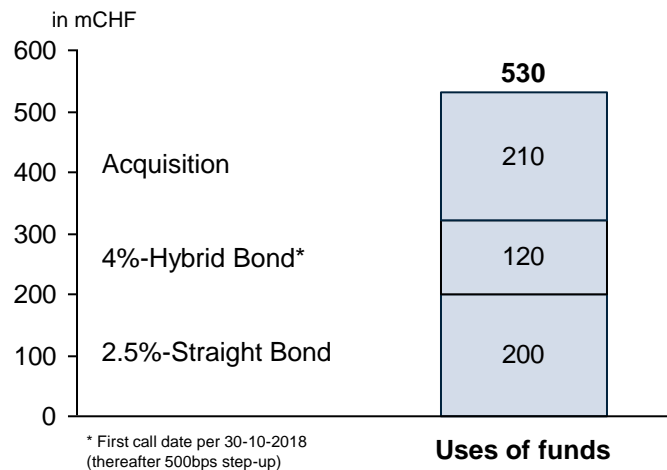
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MAINTAIN LEVERAGE RATIO BELOW 2.5x

ACQUISITION- AND RE-FINANCING REQUIREMENTS UNTIL YE2018

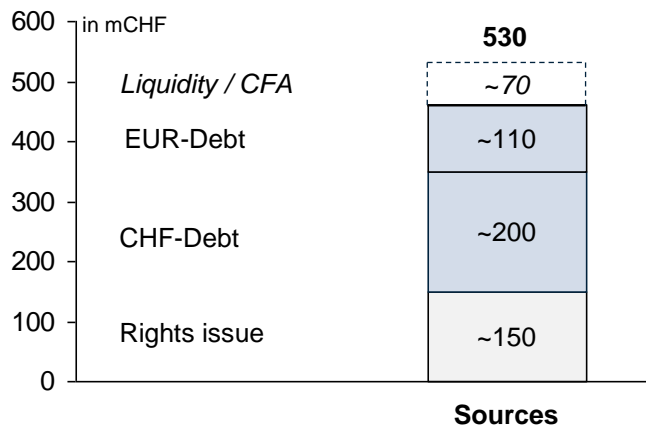


VALORA'S FINANCING STRATEGY

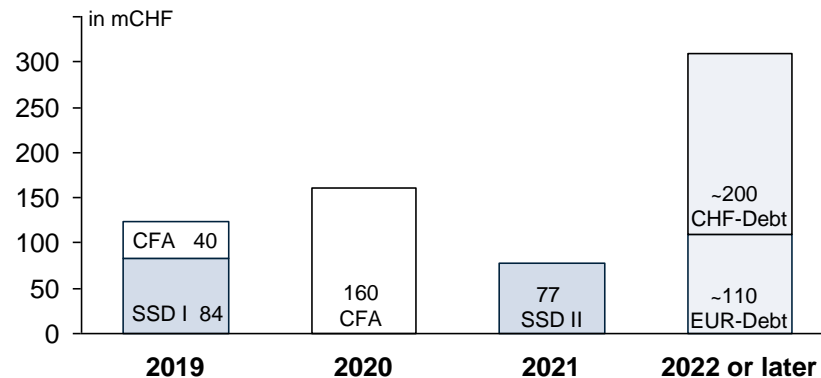
- Comply with <2.5x EBITDA leverage ratio target
 - Maintain strategic flexibility
 - Account for seasonality and NWC fluctuations
- Acquisition financing secured by undrawn syndicated loan (CFA) and cash on balance sheet
- Well diversified set of debt instruments
 - Maturities
 - Currencies
 - Investors
- Ensure natural currency hedge
- Take advantage of attractive market conditions

FULL REFINANCING UNTIL YEAR END 2018

NEW PLANNED FACILITIES



DEBT MATURITY PROFILE POST TRANSACTION AND REFINANCING



- Rights issue of ~150 mCHF
 - Planned extraordinary general meeting for November 2017
 - Shareholders will receive invitation in due course

- New debt instruments planned for Q4 2017 – Q3 2018
 - New EUR-Debt instrument on ~110 mCHF, potentially bonded loan/«Schuldscheindarlehen»
 - New CHF-Debt instrument on ~200 mCHF, potentially conventional bond
- Liquidity reserve ensured (unused syndicated loan)



EBIT GUIDANCE

- Confirmation of 2017 guidance of 79 mCHF +/-3 mCHF
- BackWerk EBIT contribution as of Closing (depending on timing of German Bundeskartellamt) overcompensated by related transaction costs
- Acquisition based on Valora's plan to double BackWerk's EBITA* by 2022 at the latest
Value drivers:
 - Store openings of 80-100 (gross)
 - L4L growth driven by average ticket size and footfall
 - Operational leverage and synergies

IMPACT FOR SHAREHOLDERS

- Acquisition of BackWerk is a strategically important step for Valora with highly attractive financials leading to margin improvement
- New positioning as # 1 snack provider in Germany increasing Food Service contribution to the Group
- Acquisition EPS accretive as from 2019**

* Amortisation depending on purchase price allocation

** EPS 2017 compared to 2016 impacted by reversal to normal tax rates of 20%

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