

valora

# Valora 4 Growth

Investors' & Media Day 2010



Muttenz, November 25, 2010

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# Agenda

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<b>1</b>	<b>Address of welcome and introduction</b>	<b>R. Benedick</b>
2	Valora 4 Success – Objectives largely achieved	Th. Vollmoeller
3	Valora 4 Growth – Using add-on acquisitions to generate incremental value	Th. Vollmoeller
4	Divisional strategies – Organic and external growth	Th. Vollmoeller
5	Implementing Valora 4 Growth – Self-financed expansion	L. Trezzini
6	Summary	R. Benedick

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## Valora is ready to take the next step forward



*Investors' & Media Day 2010, introduction*

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**Valora today has re-established itself as a strong, focused trading company in robust health.**

**The concerted efforts Valora has made since 2008 have enabled the Group to execute a successful turnaround despite the economic downturn, generating sound earnings and attractive dividends.**

**Valora is ready, operationally and financially, to embark on a growth trajectory with its new „Valora 4 Growth“ strategy programme.**

**Our objective is to develop Valora into a leading European micro-retailing and trading company.**

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## Vision - Valora 2015

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*is a trading company with a leading position across Europe...*

- ... with major divisions in Retail/Services and Trade...*
- ... which are continuously generating organic and external growth...*
- ... are sustainably profitable...*
- ... and benefit from satisfied stakeholders and highly motivated staff.*

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## Valora today: strong and focused



*Valora's status in 2010*

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### Retail: the experts in small-outlet retail

- Four clearly defined formats
- 1 600 outlets, of which 600 in travel-related locations
- Present in three national markets (Switzerland, Germany, Luxembourg)

### Services: a professional service provider in press and consumer products

- State-of-the-art processes
- Over 15 000 customers
- Present in three national markets (Switzerland, Austria, Luxembourg)

### Trade: Europe's largest and most professional branded goods distributor

- Strong position in confectionery, food and non-food products
- 250 principals
- Present in 8 national markets (Switzerland, Germany, Austria, Denmark, Norway, Sweden, Finland, Czech Republic)

# Turnaround will be largely completed by late 2010



## Status of Valora 4 Success – overview



- Four retail formats defined and implemented
- New high-margin product range modules launched (incl. ok.-, services)
- New strategy for Services division initiated



- Successful avec. concept rolled out, with 100 outlets
- Add-on acquisitions successfully integrated in Germany
- P&B unveiled as new growth sweet spot



- Logistics in Switzerland and Luxembourg completely revamped
- Migration to uniform IT platform successfully completed
- Headquarters staff streamlined



- Sustained improvement in leadership culture
- Improved market research and increased customer footfall
- Modern working conditions introduced in front line sales

Valora 4 Success in retrospect – some examples



*New le kiosk  
2009*



*Egerkingen  
2009*



*Own Label 2009*



*P&B 2010*



*@ le kiosk 2010*

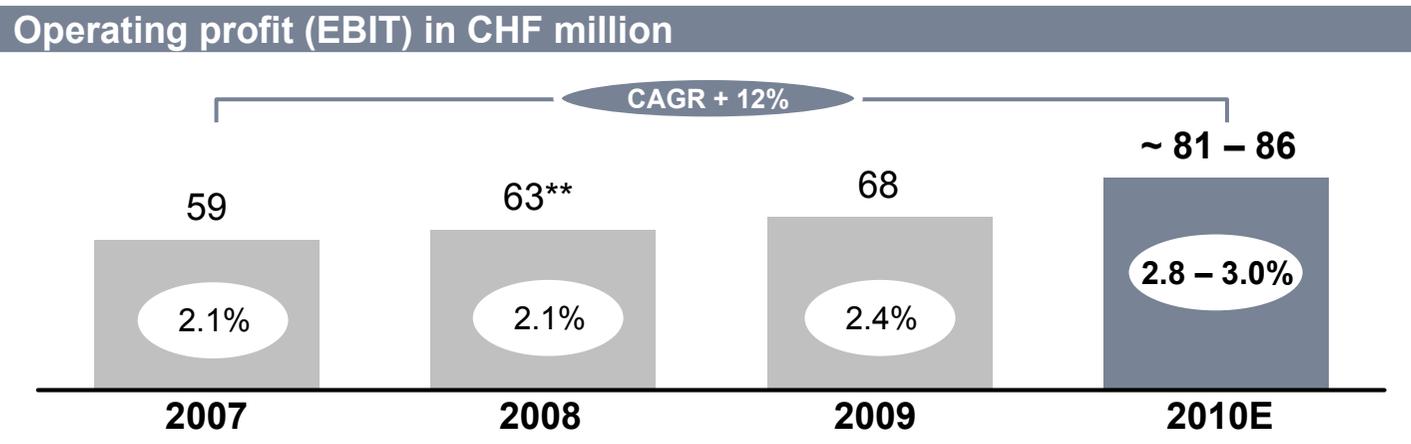
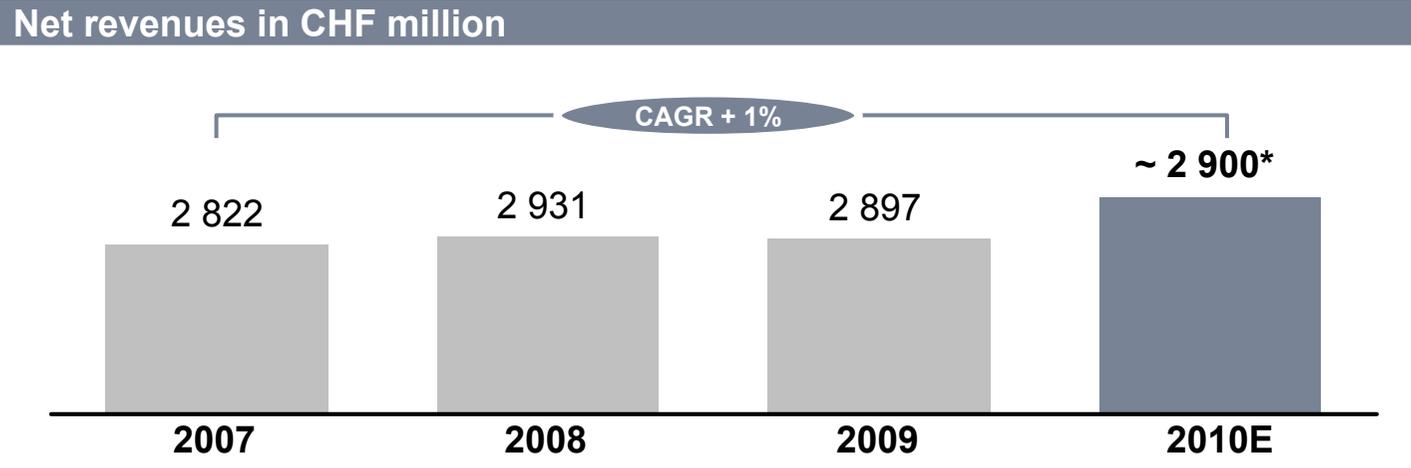


*avec. 2009*

# EBIT margin improved from 2.1 to 2.8 - 3.0 percent



Valora 4 Success – quantitative results



\* excl. franchise revenues CHF ~ 60-70 million

\*\* excl. CHF 25 million in restructuring costs

## Some V4S agenda items still open

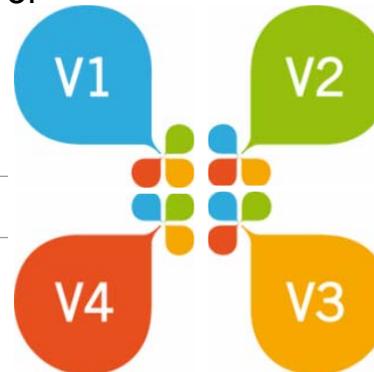


*Valora 4 Success – open items for 2011 and beyond*



- Achieving profitability target at Swiss kiosks
- Further professionalisation of Valora Services/Trade
- Improving wholesale performance

- Greater entrepreneurship (esp. agency system)
- Sharpening corporate values



- Additional avec./P&B roll-outs
- tabacon/EMH integration

- Completing efficiency programmes
- Near-shoring/outsourcing non-core functions

**Valora 4 Success programme will continue**

*Next strategic step for incremental value generation → Valora 4 Growth*

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# Current markets constrain the scope for organic growth



*Simulation of organic growth potential*



Division	org. revenues growth p.a.	Target margin (EBIT)	Rationale
valoraretail	~ + 2%	3 – 4%	<ul style="list-style-type: none"> <li>■ Challenging market conditions (tobacco/press)</li> <li>■ In line with benchmark</li> </ul>
valoraservices	~ -1%	4 – 5%	<ul style="list-style-type: none"> <li>■ Declining overall press market</li> <li>■ Further cost-cutting potential</li> </ul>
valoratrade	~ + 3%	2 – 3%	<ul style="list-style-type: none"> <li>■ Some markets growing</li> <li>■ In line with peers</li> </ul>
valora	~ + 2%	3 – 4%	<ul style="list-style-type: none"> <li>■ 2% like4like growth demanding</li> <li>■ EBIT margin = V4S target</li> </ul>

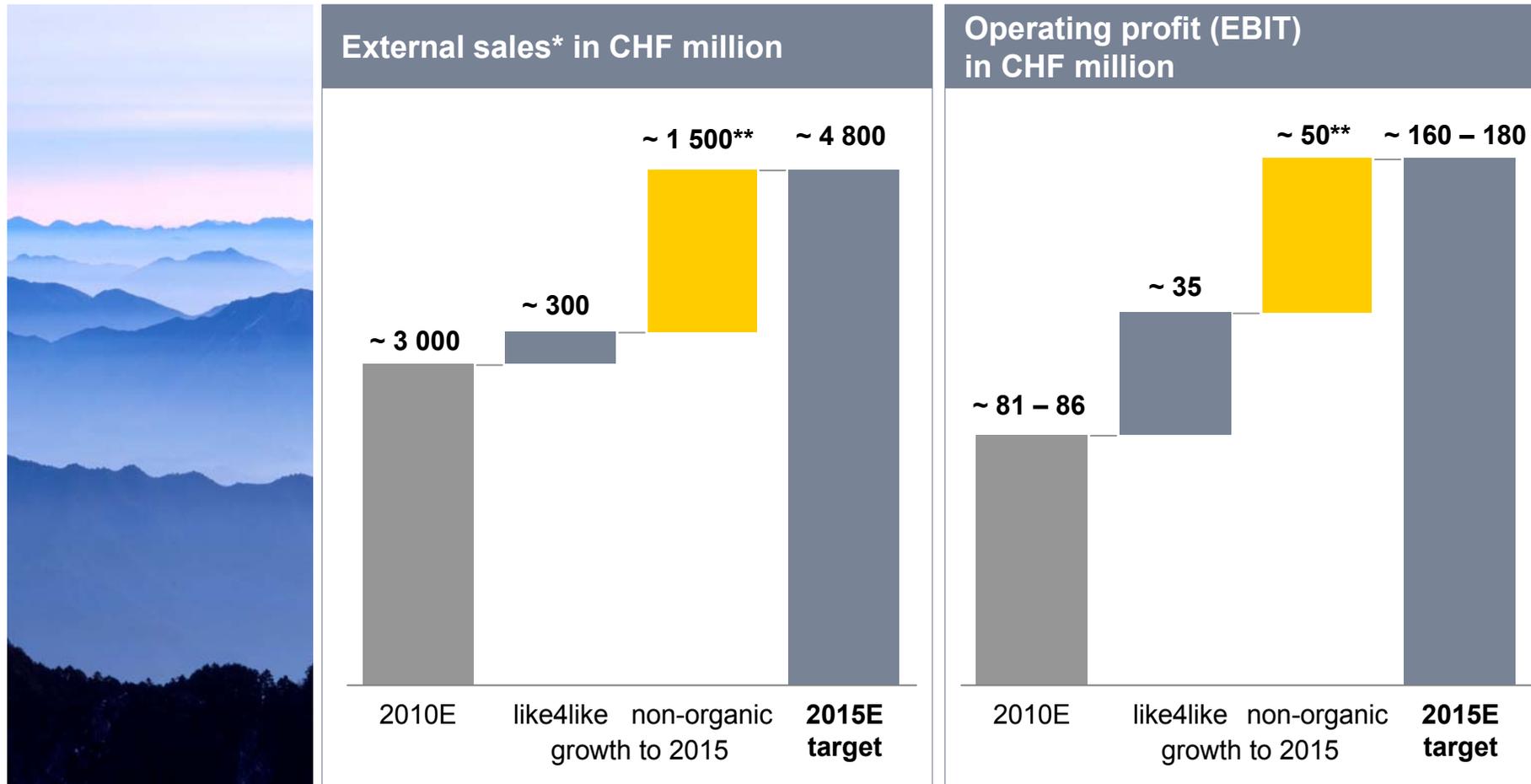
**Limited scope for organic growth in 2011 – 2015**

- Sales = CHF ~ 300m (~ 10%)
- EBIT = CHF ~ 35m (~ +0.8 pct points)

# Only external growth can double operating profits by 2015



*Estimates of potential external growth by 2015*



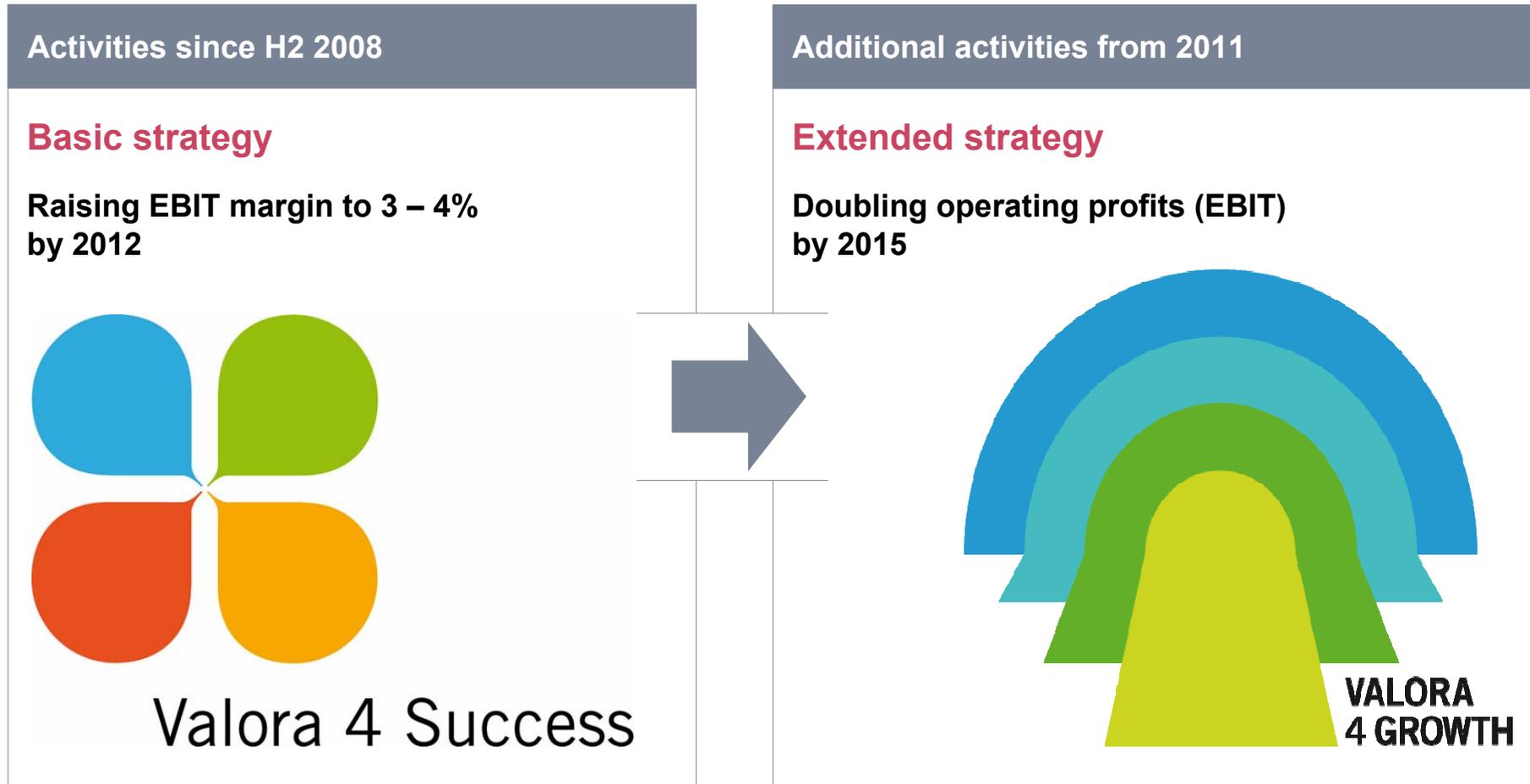
\* i.e. including franchise revenues (in 2010 ca. CHF ~ 60-70 million)

\*\* growth including EMH/tabacon and organic growth from acquisitions

# Valora 4 Growth complements Valora 4 Success



*In a nutshell*



# Valora 4 Growth has high ambitions for expansion



*The new, extended strategy*

Valora 4 Growth growth strategy	Target: to double Group's operating profits (EBIT) by 2015
	 <p><b>Organic margin growth</b> <i>Improvement by 0.2 pct points each year</i></p>
	 <p><b>Organic sales growth</b> <i>2 percent per year through expansion of current activities</i></p>
	 <p><b>External growth at Retail/Services</b> <i>Expanding to become European micro-retailer with 5 to 6 formats</i></p>
	 <p><b>External growth at Trade</b> <i>Expansion of the largest pan-European distributor</i></p>

# Planned improvement in results will draw on all four levers



Valora 4 Growth – quantitative objectives to 2015



2015E target (in CHF million)	Additional revenues	Additional EBIT
 Organic margin growth	n.a.	~ 15
 Organic revenue growth	~ 300	~ 20
 External growth at Retail/Services	~ 900	~ 30
 External growth at Trade	~ 600	~ 20
 <b>Total</b> <b>CAGR</b>	Σ ~ 1 800 ~ 10%	Σ ~ 85 ~ 15%

*In addition: Further opportunistic growth options within the core markets will be verified when appearing.*

# Significant added value expected, especially at Retail and Trade divisions



Valora 4 Growth – key initiatives | by division and focus area



Initiative	Retail	Services	Trade
 <b>G1</b> Organic margin growth			
 <b>G2</b> Organic revenue growth			
 <b>G3</b> External growth at Retail/Services			
 <b>G4</b> External growth at Trade			

\* extended option: Netherlands

## Key levers

- Enhance profitability at kiosk Switzerland
- Improve cost base at Services
- Extend product ranges at Retail/Services
- Organically expand outlet network
- Strengthen Trade's principal base
- Expand kiosk Germany\*
- Acquire/roll out new (travel-related) formats
- New categories in existing markets
- Acquire leading distributors in new markets

# 2015 vision for Valora



## Ambitions

- **Valora is a trading company with a leading position across Europe...**
- **...with two major business areas:**
  - ⇒ **Retail/Services**  
*Europe's most successful and most professional small-outlet retailer with a strong press market presence*
  - ⇒ **Trade**  
*Europe's largest and most professional branded goods distributor*
- **...which are continuously generating organic and external growth...**
- **...are sustainably profitable...**
- **...and benefit from satisfied stakeholders and a highly motivated staff.**

## Expected Valora 4 Growth contribution

- Activities in 12 – 15 national markets
- Swiss share in total business ~ 30%
- Total net sales CHF ~ 4 500 – 5 000 million  
Total EBIT CHF ~ 160 – 180 million
- Return on Equity (RoE) >20%
- ⇒ Retail/Services:  
Sales CHF ~ 3 000 – 3 500 million  
New formats | more travel retail | less dependence on press/tobacco
- ⇒ Trade  
Sales CHF ~ 1 500 million  
New, growing categories | presence in fast-growing European markets
- Up to 10% p.a.; of which initially only 2% will be organic
- Aggregate of 3 – 4% → +1% by 2015 vs. 2010
- Increased customer footfall
- Positive response from employee surveys

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# Retail: leading small-outlet retailer in Europe



Valora 4 Growth – Retail division strategy



## Current strengths

- Excellent network of 1 600 outlets at well-frequented sites
- Substantial small-outlet retail expertise
- Four established, supranational formats
- Acquisition skills for medium-sized chains in place (Germany)

## Future challenges

- Declining overall market for key items in product range (e.g. newspapers, tobacco)
- Migration of product categories to online channels (e.g. lottery tickets, newspapers)

## Strategy: Establish Valora Retail as a leading micro-retailer in selected European national markets

- European expansion and further strengthening of today's four core formats
  - **Kiosk**: expansion (Switzerland, Luxembourg) and establishment (Germany) of no. 1 position, while boosting profitability through franchise/agency models
  - **Convenience**: fine-tuning/roll-out, with key focus on clear no. 3 position in Swiss market
  - **P&B**: extend market leadership (Germany), firmly establish concept (incl. Switzerland)
  - **Caffè Spettacolo**: continuing expansion of presence in Switzerland
- Harness small-outlet expertise to establish 1 – 2 new formats (focusing on travel retail)

# Valora Retail to become one of Europe's leading small-outlet retailer



Valora 4 Growth, Retail – initiative overview | targeted 2015 results



Initiative	Measures	Additional revenues in CHF million	Additional EBIT in CHF million
 <b>G1</b> Organic margin growth	a) <b>Agency system</b> for k kiosk	}	n.a.
	b) Expand <b>promotions</b>		
	c) Optimise <b>purchasing</b>		
 <b>G2</b> Organic revenue growth	a) Roll-out of <b>avec./P&amp;B</b> in Switzerland	}	~ 200
	b) <b>New services/product ranges</b> at k kiosk		
 <b>G3</b> External growth at Retail/Services	a) Expand <b>Kiosk Germany*</b>	}	~ 900
	b) Acquisition/roll-out of <b>new (travel-related) formats</b>		

\* extended focus: Netherlands    \*\* incl. Services (i.e. only commission income)

# Kiosk sites in Germany: expansion from current 200 to approx. 1 000 planned



Valora 4 Growth, Retail – expansion of kiosk Germany (1/2)



## Strategy

- Consolidation of the largest, non-consolidated kiosk market in Europe  
→ 20 000 outlets today  
→ few chains, all small

## Rationale

- Kiosks = a core Valora competence
- Potential synergies in purchasing, product ranges and administration

## Process

- Use tabacon as a nucleus
- Deploy franchise model
- Acquire small chains and individual sites

## Quantitative goals for 2015

- ~ 1 000 outlets in Germany\*
- ~ CHF 700 million in external sales
- ~ CHF 20 – 25 million EBIT

\* Extended focus:  
Netherlands

# tabacon acquisition was a major first step for kiosk expansion in Germany



Valora 4 Growth, Retail – expansion of k kiosk Germany (2/2) | the tabacon example



## Process

- Acquired one of Germany's larger kiosk operators
- 180 non-travel retail outlets (external sales ~ CHF 130 million)
- Established strong platform for further growth

## Rationale

### Purchasing

- High purchasing and promotion volumes
- Enhanced outlet network

### Category Management

- Put existing know how to good use
- Expand cross-selling potential

### Sales

- Established franchise model

### Administration

- Cost synergies (sales reps/internal services)

## Valora also intends to use new formats to fuel growth

*Valora 4 Growth, Retail – acquisition/roll-out of new (travel-related) formats*



### Strategy

- Acquire 1 – 2 additional retail formats with potential for roll-out within Valora (travel-related) network

### Rationale

- Travel retail achieving strong growth
- Small-outlet skills in place
- Modular transfer to existing formats possible

### Process

- Acquire 1 – 2 medium-sized chains (up to ~ 100 outlets each)
- Various possible categories defined (stationery, accessories, bakery, et. al.)

### Quantitative goals for 2015

~ 200 outlets

~ CHF 200 million in (external) revenues

~ CHF 5 – 10 million in EBIT

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## Services: strengthen position in all markets



*Valora 4 Growth – Services division strategy*

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### Current strengths

- Solid position in 3 national markets (market leader in some fields)
- Most important distributor for German-language publishers
- Solid profitability thanks to ownership of sales network

### Future challenges

- Decline of overall press market
- Direct (electronic) distribution by publishers
- Increasing frequency of customer visits to retail chains

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### Strategy: Expand to become largest consumer-focused distributor of print media and other product ranges in German-speaking Europe

- Strengthen current position in Switzerland, Luxembourg and Austria by deploying value-added services for customers and retailers
- Leverage advantages of being the only vertically integrated press distributor in order to support publishers' market coverage strategies
- Further increase cost efficiency while simultaneously flexibilising cost structure

# Valora Services must maintain profitability despite declining press markets



Valora 4 Growth, Services – initiative overview | targeted 2015 results



Initiative	Measures	Additional revenues in CHF million	Additional EBIT in CHF million
 <b>G1</b> Organic margin growth	a) Further <b>streamlining of logistics</b>	n.a.	~ 10 <i>but: declining market ~ CHF -10 million.</i>
	b) <b>Centralise</b> administrative functions		
 <b>G2</b> Organic revenue growth	a) Additional <b>logistics services</b>	n.a.	<i>Compensate for expected market contraction</i>
	b) Expand <b>distribution capability</b> (potentially through new technology)		
 <b>G3</b> External growth at Retail/Services	(not a current priority, though opportunistic approach conceivable)	n.a.	n.a.

# Strategic shift: from push to pull in press products



Valora 4 Growth, Services – action plan for 2011 and beyond

### Point of sale



- Enhance category management
- Raise press profile/press sales at Valora outlets and other outlets
- Identify additional services

### Logistics chain



- Further cost savings, increased flexibility
- Use strong logistics platform for third party customers

### Publisher management



- Further professionalise co-operation (e.g. in delivery and return management)
- Joint testing and use of market research

# Trade: leading pan-European distributor for strong branded goods



## Valora 4 Growth – Trade division strategy



### Current strengths

- Largest, most professional distributor in Europe (8 national markets)
- Services provided throughout entire value chain
- State-of-the-art processes/IT systems

### Future challenges

- Manufacturer consolidation and concentration of retail landscape
- Growth of own-label/discount brands
- But: principals tend to outsource own distribution in smaller countries

### Strategy: Expansion of the leading pan-European branded goods distributor

- Expand leading position in current markets through
  - further expansion/professionalisation of value-oriented services
  - expansion into new, and where possible growing, product categories
  - targeted complementing/strengthening of the principal portfolio with high-margin branded items
- Enhance appeal to multinational FMCG manufacturers by expanding / establishing new regional platforms (incl. Baltics, South-East Europe)

# Valora Trade – expansion of the leading pan-European branded goods distributor



Valora 4 Growth Trade – initiative overview | targeted 2015 results

	Initiative	Measures	Additional revenues in CHF million	Additional EBIT in CHF million		
	 G1 Organic margin growth	a) Operational <b>efficiency measures</b>	} Continuous improvements			
	 G2 Organic revenue growth	a) Growth with <b>existing principals</b> b) Acquisition of <b>new principals</b>			~ 100	~ 5
	 G4 External growth at Trade	a) <b>New categories</b> in existing markets b) Acquire leading distributors in <b>new markets</b>			~ 600	~ 20

# Valora Trade to focus on extending its product range portfolio to distributors in growing categories



Valora 4 Growth, Trade – new categories in existing markets (1/2)



## Strategy

- Acquire distributors in existing markets with principals in categories with pronounced growth trends (e.g. near- /pet- /health food)

## Rationale

- Diversify product-range structure
- Generate „organic growth“
- Minimise exposure to private label goods/confectionery

## Process

- Identify targets in defined categories
- Execute acquisition (EMH transaction in Norway is model)

## Quantitative goals for 2015

- ~ 1 – 3 acquisitions overall
- ~ CHF 200 million in revenues
- ~ CHF 5 – 10 million in EBIT

# EMH: first example of Valora Trade strategy in action

Valora 4 Growth, Trade – new categories in existing markets (2/2) | EMH example

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## Process

- Acquired Norway's leading cosmetics distributor
- Revenues of some CHF 70 million (35% market share in Norway)
- EBIT margin at some 4%, with well-established business relationships

## Rationale

### Principal Portfolio

- Strong position in new category with strong growth
- Norway is an attractive market

### Category Management

- Experienced, competent management team
- Team strengthened by previous owner

### Logistics

- Portfolio expanded
- Nordic platform strengthened

### Sales / Administration

- Synergy potential in administrative functions

# International expansion of Valora Trade is a top priority



Valora 4 Growth, Trade – acquiring leading distributors in new markets



**Strategy**

- Achieve critical mass in growing markets beyond current geographic focus (esp. Baltics, South-East Europe and other small European national markets)

**Rationale**

- FMCG manufacturers are looking for distribution solutions in small markets
- Valora currently holds pole position in 8 national markets
- Potential for growth in Eastern Europe

**Process**

- Identify targets in defined categories
- Execute acquisitions

**Quantitative goals for 2015**

- ~ 1 – 2 acquisitions per year
- ~ CHF 400 million in revenues
- ~ CHF 10 – 15 million in EBIT

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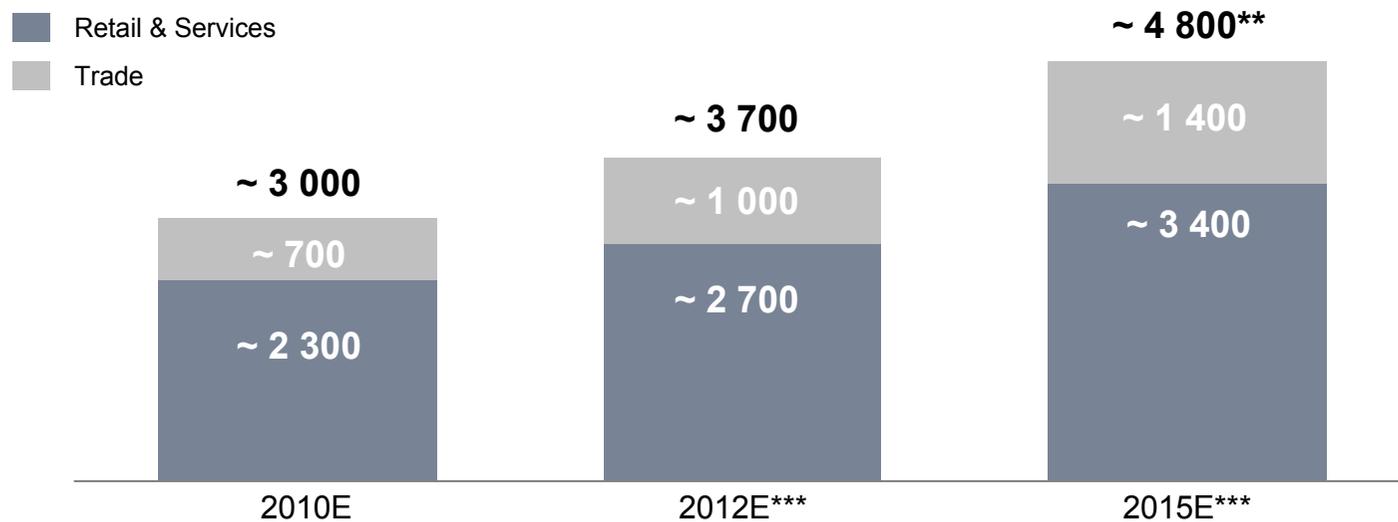
# Valora 4 Growth aims to double Valora's operating profits (EBIT)



Valora 4 Growth – summary of financial objectives



## External revenues\* 2010 – 2015 (in CHF million)



## EBIT 2010E – 2015E (in CHF million)

<b>Total</b>	<b>~ 81 – 86</b>	<b>~ 110 – 130</b>	<b>~ 160 – 180</b>
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\* i.e. including franchise revenues (in 2010 ca. CHF ~ 60-70 million)

\*\* revenues as indication

\*\*\* growth includes EMH/tabacon and organic growth from further acquisitions

# Significant improvement in company value expected



## Valora 4 Growth – effects on company value

Valora 4 Growth initiatives				
	Operating margin improved		Plus: further internal growth	Plus: improved capital structure
<ul style="list-style-type: none"> <li>  Organic margin growth                     </li> <li>  Organic revenue growth                     </li> <li>  External growth at Retail/Services                     </li> <li>  External growth at Trade                     </li> </ul>	<p>...by...</p> <ul style="list-style-type: none"> <li>Greater operating efficiency</li> </ul>	<p>...by...</p> <ul style="list-style-type: none"> <li>Synergies / economies of scale</li> </ul>	<ul style="list-style-type: none"> <li>Product mix</li> <li>Formats</li> <li>National markets</li> </ul>	<ul style="list-style-type: none"> <li>RoE increase</li> <li>Optimized equity/total assets ratio</li> </ul>

# Valora 4 Growth can be self-financed



Valora 4 Growth – sources and uses of funds, 2011 to 2015



## Use of funds

External growth at Retail/Services and Trade



Revenues

CHF ~ 1 100 – 1 200\* million

x

EBIT margin

3 – 4%

x

EBIT multiple

6 – 9

**Required funds**

**Σ CHF ~ 200 – 400 million**

## Source of funds

Free cash flow (annually)

CHF ~ 40 – 50\*\* million

Non-operating assets (one-off)

CHF ~ 70 – 100 million

Debt financing (one off)

CHF ~ 200 million

**Source of funds**

**Σ CHF ~ 450 – 550 million**

- External growth financing possible without raising additional equity
- Any potential excess cash to be returned to investors
- Shareholder-oriented dividend policy to be maintained

\* EMH/tabacón already excluded | assuming no organic growth at acquired entities

\*\* post dividends

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# Valora 4 Growth – establishing a leading pan-European trading company



## Summary

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**1**

**„Valora 4 Growth“ continues the successful „Valora 4 Success“ strategy, complementing it with external growth.**

**2**

**Objective is to double operating results by 2015, with sales growth of some 10 percent per year.**

**3**

**Purchases will focus on international add-on acquisitions of small and medium-sized retail and trade companies.**

**4**

**Expansion to be self-financed.**

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## Contact details

### Corporate calendar

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#### Contact details

**Mladen Tomic**  
Head of Corporate Investor Relations

Tel. +41 58 789 12 20  
E-mail: [mladen.tomic@valora.com](mailto:mladen.tomic@valora.com)

**Stefania Misteli**  
Head of Corporate Communications

Tel. +41 58 789 12 01  
E-mail: [stefania.misteli@valora.com](mailto:stefania.misteli@valora.com)

#### Corporate calendar

Publication 2010 results

25. März 2011

Annual General Meeting 2011

15. April 2011

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