valora


# Media and Investors‘ Presentation – H1 2013

*Muttenz, August 29, 2013*

# Agenda

| | |
|---|---|
| 1 | **Summary** |
| 2 | Group performance in first six months of 2013 |
| 3 | Status of «Valora for a fast moving world» initiatives |
| 4 | Outlook and wrap up |
| 5 | Appendix |

# First-half 2013 summary

*Positive impulses and results from acquisitions | external sales increased by +7.8%*

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| | | | | | |
|---|---|---|---|---|---|
| 1 | **Strategy** | Implementation of strategic focussing initiatives progressing well<br>Further measures planned for H2 2013 | | | |
| 2 | **Financials** (versus 2012) | **EBIT** | CHF 33.8 m (+88.1%) | **Cash flow op. activities** | CHF 17.0 m (+CHF 37 m) |
| | | **EBITDA** | CHF 66.0 m (+52.8%) | **Equity cover** | 44.0% (+8.2 pct points) |
| 3 | **Valora Retail** | Switzerland | Good initial results from changes to k kiosk product range | | |
| | | Germany | Significant potential despite challenging CC network integration | | |
| 4 | **Ditsch/Brezelkönig** | Network in Germany and Switzerland performing as planned<br>Substantial contribution to Group results | | | |
| 5 | **Valora Services** | Overall press market exceeded expectations in H1 2013<br>Negotations with purchasers/partners under way \| control handover planned for 2013 | | | |
| 6 | **Valora Trade** | Market conditions remain challenging<br>Cost base reduced \| further improvements expected in 2014 | | | |

# Agenda

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# H1 2013 key financial metrics

*Newly integrated businesses provide strong boost to revenues and profits*


*in CHF million,*
*△ versus 2012*

| | | |
|---|---|---|
| **External sales** | **1 691.3** | ***+7.8%*** |
| **Net revenues** | **1 412.1** | ***+1.8%*** |
| **Gross profit** | **504.1** | ***+14.1%*** |
| *Gross-profit margin* | *35.7%* | *+3.9 pct pts* |
| **Operating costs (net)** | **-470.3** | ***+11.0%*** |
| **EBITDA** | **66.0** | ***+52.8%*** |
| EBITDA margin | 4.7% | *+1.6 pct pts* |
| **EBIT** | **33.8** | ***+88.1%*** |
| EBIT margin | 2.4% | *+1.1pct pts* |

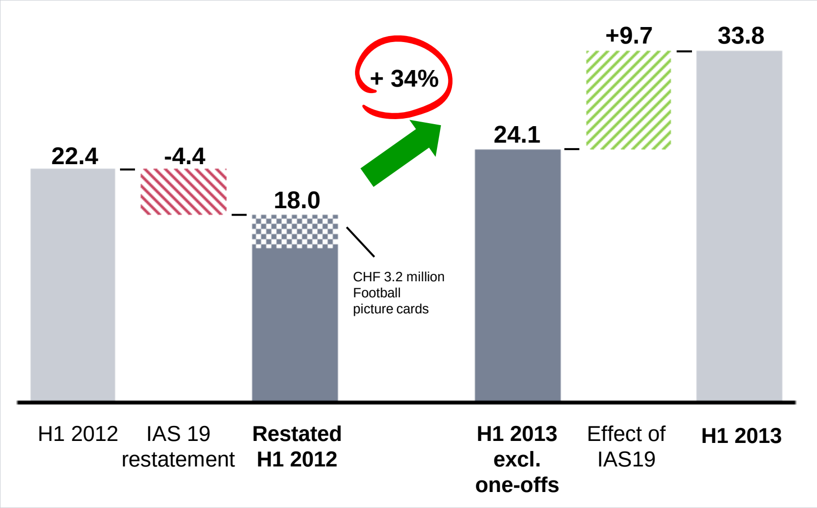
## Comments

- Net revenues increased by 1.8%
- First full integration of Ditsch/Brezelkönig and Convenience Concept result in significant improvement in gross-profit margin
- Operating profit includes effect of CHF 9.7 million due to IAS 19 (like-for-like operating profits +34%)

# H1 2013 versus H1 2012 operating profits

*Significant EBIT growth even after factoring out IAS 19 effects*


## IAS 19 effects on H1 2012 and H1 2013 (in CHF million)

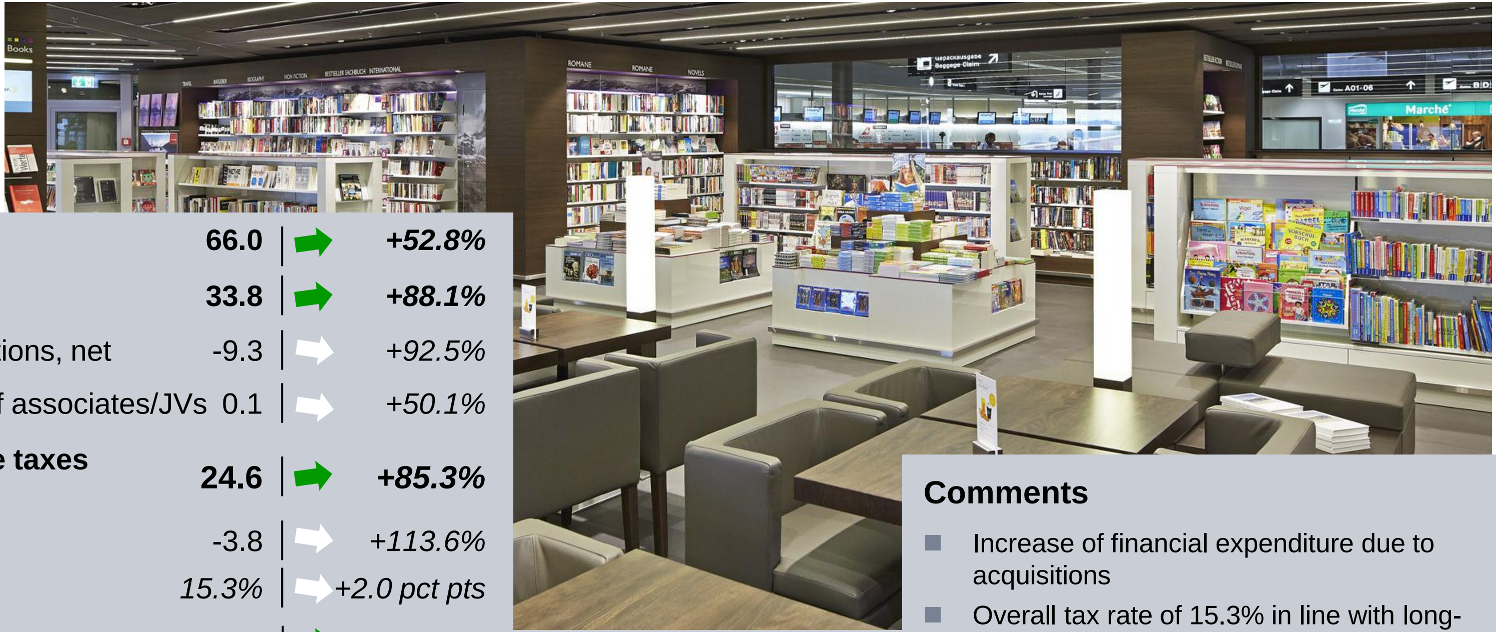



## Comments

- H1 2012 restated to reflect introduced new IAS 19 standards
- Net CHF 9.7 million added to H1 2013 operating profit from IAS 19 adjustment (mainly due to a change in the annuity conversion ratio)

# H1 2013 net profit

*Net profit increased in spite of advanced financing costs*




*in CHF million,*
*△ versus 2012*

| | | |
|---|---|---|
| **EBITDA** | **66.0** | ***+52.8%*** |
| **EBIT** | **33.8** | ***+88.1%*** |
| Financing operations, net | -9.3 | *+92.5%* |
| Share in result of associates/JVs | 0.1 | *+50.1%* |
| **Earnings before taxes** | **24.6** | ***+85.3%*** |
| Income taxes | -3.8 | *+113.6%* |
| *Overall tax rate* | *15.3%* | *+2.0 pct pts* |
| **Group net profit** | **25.8** | ***+124.5%*** |

## Comments

- Increase of financial expenditure due to acquisitions
- Overall tax rate of 15.3% in line with long-term projections

# Key balance-sheet metrics

*Financing initiatives significantly enhance balance sheet*

*in CHF million,*
*△ versus 2012*

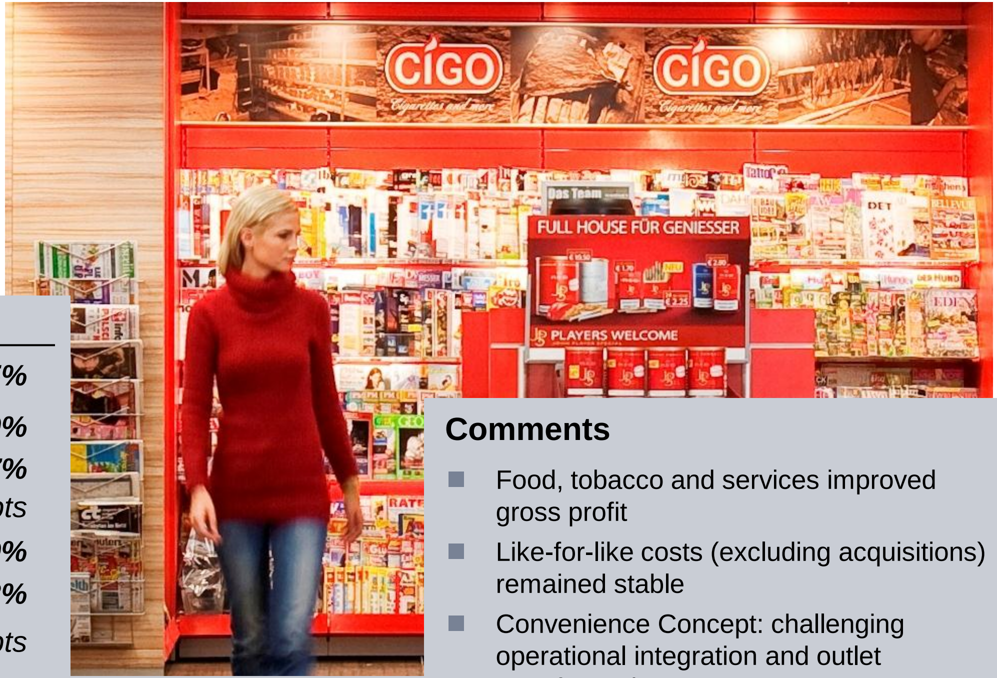
| | | | |
|---|---|---|---|
| **Balance sheet total** | **1 609.8** | ➡ | ***-0.4%*** |
| **Cash/cash equivalents** | **109.9** | ➡ | ***-25.3%*** |
| **Goodwill** | **484.6** | ➡ | ***+3.9 m*** |
| **Net working capital** | **166.3** | ➡ | ***+22.1%*** |
| *NWC in % of net revenues* | *5.9%* | ➡ | *+1.1 pct pts* |
| **Net debt** | **283.6** | ➡ | ***-78.0 m*** |
| *Leverage ratio* | *1.9x* | ➡ | *-0.5x* |
| **Shareholders‘ equity** | **707.9** | ➡ | ***+22.5%*** |
| *Equity cover* | *44.0%* | ➡ | *+8.2 pct pts* |

## Comments

- CC and Ditsch/BK integration increased goodwill and NWC
- Leverage ratio significantly reduced – to 1.9x EBITDA (medium/long-term target)

# Performance at Valora Retail (1/2)

*New product range yields good results in Switzerland | Major potential in Germany despite challenging integration*




**Key metrics for division** (in CHF million vs 2012)

| | | |
|---|---|---|
| **External sales** | **1 105.2** | ***+11.5%*** |
| **Net revenues** | **824.0** | ***+2.0%*** |
| **Gross profit** | **301.8** | ***+4.7%*** |
| *Gross-profit margin* | *36.6%* | *+0.9 pct pts* |
| **Operating costs (net)** | **-286.0** | ***+2.9%*** |
| **EBITDA** | **36.7** | ***+21.2%*** |
| EBITDA margin | 4.5% | *+0.7 pct pts* |
| **EBIT** | **15.8** | ***+53.8%*** |

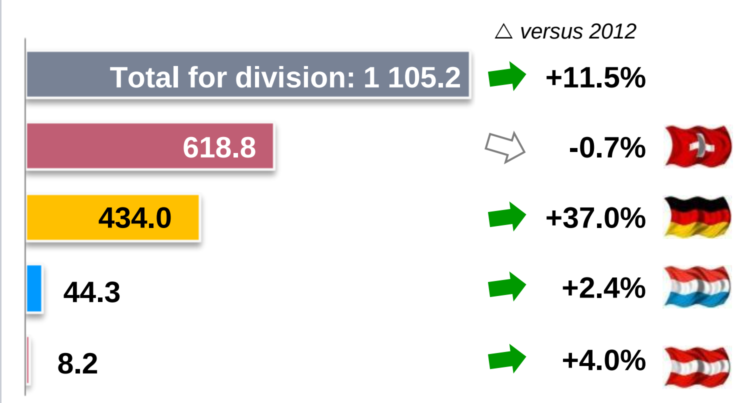
**Comments**

- Food, tobacco and services improved gross profit
- Like-for-like costs (excluding acquisitions) remained stable
- Convenience Concept: challenging operational integration and outlet transformation

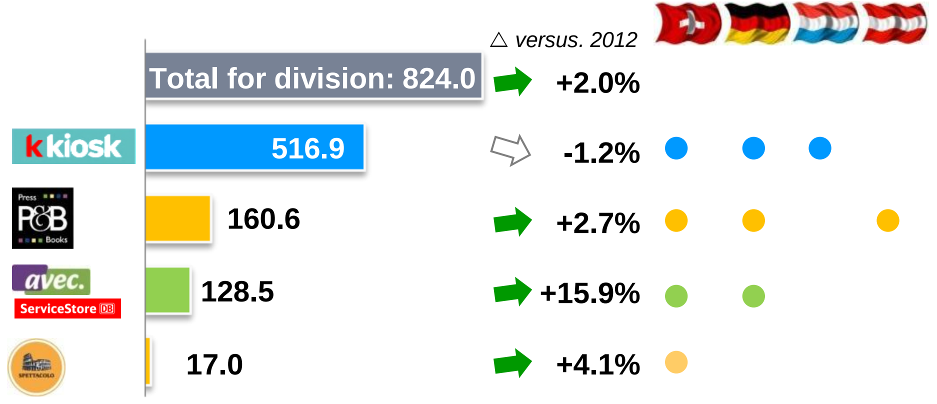
# Performance at Valora Retail (2/2)

*Convenience Concept acquisition boosts external sales*


**Retail division‘s external sales*** (in CHF million vs 2012)




**Retail division‘s net revenues** (in CHF million vs 2012)

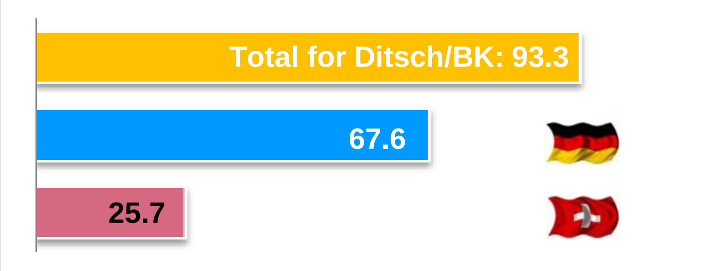



* External sales: external sales encompass Valora's net revenues and the turnover generated by outlets under contract to Valora

# Performance at Ditsch/Brezelkönig

*Good gross-profit margin and development of network | Positive outlook for full-year 2013*

## Net revenues* by country (in CHF million)





## Further key metrics for Ditsch/BK* (in CHF million vs 2012)

| | |
|---|---|
| **Gross profit** | **70.9** |
| *Gross-profit margin* | *76.0%* |
| **Operating costs (net)** | **-60.7** |
| **EBITDA** | **17.3** |
| EBITDA margin | 18.6% |
| **EBIT** | **10.2** |

## Comments

- Net revenues, gross profits and operating profit in line with expectations
- Operating profit subject to usual seasonal factors

* *Ditsch/Brezelkönig acquired in October 2012 – no comparibility with prior year*

# Performance at Valora Services

*Press market performance exceeds expectations*

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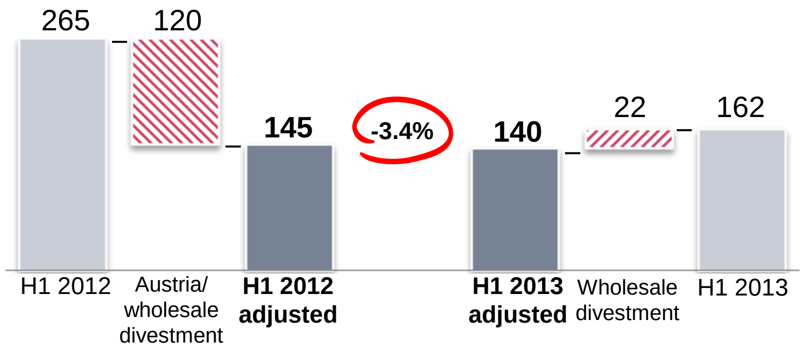
## Services division H1 2013 net revenues (in CHF million)





## Comments

- Press market contraction less severe than anticipated
- Disposal of wholesaling unit helped to increase gross profit

## Further key metrics for Services division (in CHF million vs 2012)

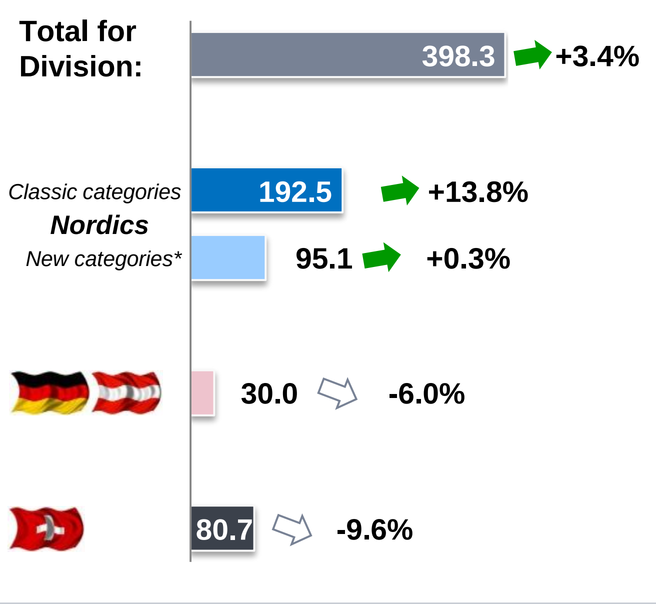
| | | |
|---|---|---|
| **Gross profit** | **42.6** | ***-34.2%*** |
| *Gross-profit margin* | *26.3%* | *+1.9 pct pts* |
| **Operating costs (net)** | **-38.9** | ***-35.7%*** |
| **EBITDA** | **8.0** | ***-27.8%*** |
| EBITDA margin | 4.9% | *+0.8 pct pts* |
| **EBIT** | **5.8** | ***-21.7%*** |

# Performance at Valora Trade

*Further measures to reposition division required*

## Valora Trade H1 2013 net revenues

in CHF million vs 2012




## Further key metrics for Trade division

in CHF million vs 2012

| | | |
|---|---|---|
| **Gross profit** | **88.7** | ***-0.1%*** |
| *Gross-profit margin* | *22.3%* | *-0.8 pct pts* |
| **Operating costs (net)** | **-86.6** | ***+2.2%*** |
| **EBITDA** | **4.1** | ***-26.7%*** |
| EBITDA margin | 1.0% | *-0.4 pct pts* |
| **EBIT** | **2.1** | ***-48.8%*** |

## Comments

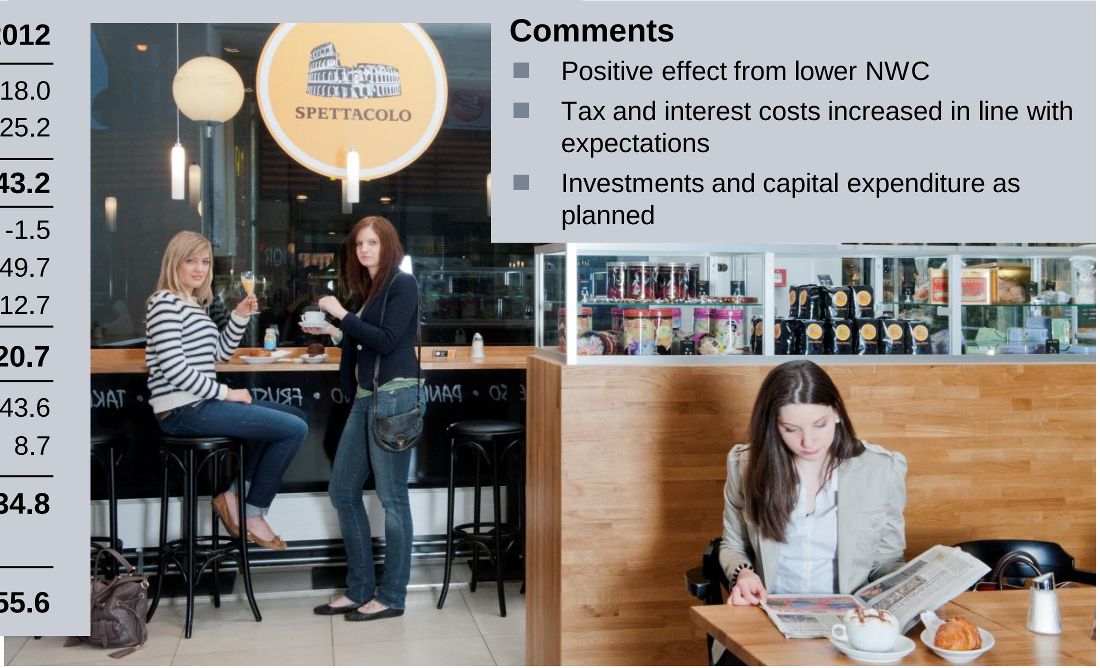
- Stable gross profit maintained dispite lower margin
- Lower revenues at units in Switzerland (due to parallel imports) and Germany (due to portfolio streamlining)

* *Travel retail, food service, cosmetics*

# Cash flow

*Significant improvements in key components of cash flow*

| **First-half** (in CHF million) | **2013** | **2012** |
|---|---|---|
| EBIT | 33.8 | 18.0 |
| Depreciation and amortisation | 32.1 | 25.2 |
| **EBITDA** | **66.0** | **43.2** |
| Elimination of non-cash items | -8.8 | -1.5 |
| NWC and other working capital | -22.5 | -49.7 |
| Interest, taxes (net) | -18.0 | -12.7 |
| **Cash flow from operations** | **16.6** | **-20.7** |
| Capital expenditure | -20.8 | -43.6 |
| Asset disposals | 2.7 | 8.7 |
| **Cash flow from regular investment activities** | **-18.1** | **-34.8** |
| **Free cash flow** | **-1.5** | **-55.6** |




**Comments**

- Positive effect from lower NWC
- Tax and interest costs increased in line with expectations
- Investments and capital expenditure as planned

# Agenda

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# Valora Retail Germany

*Convenience Concept integration requiring considerable effort | Network objectives for 2015 adjusted*

| | 2013 | 2014 | 2015 |
|---|---|---|---|

## Convenience

ServiceStore DB

*Concept phase I*
**H1 concept dev.**

*Concept phase II*
**H2 kick-off with 3 test sites**

**Intermediate phase**

- Evaluations with Deutsche Bahn
- Product-range adjustments
- Rollout decision

**Rollout phase**

- ~20 new openings annually (rebuilds and new locations)
- Focus on snacks and convenience food (bakery products, sandwiches, cold drinks, coffee)
- New product range improves gross margins
- Further network enhancements after 2015

## Kiosk

CIGO Cigarettes and more

k kiosk

*Pilot phase*
**H1, 5 reference stores**

*Rollout phase I*
**H2, 50 k kiosk units**

**Intermediate phase**

- Analyse positive sales growth at reference stores (+14%) vs rollout I
- Rollout decision

**Rollout phase**

- ~100 new openings annually (rebuilds and new locations)
- Product-range adjustments in food, non-food, services and beverage categories
- Implementation of new franchise model in network
- Increased exploitation of network scale (e.g. promotions etc.)

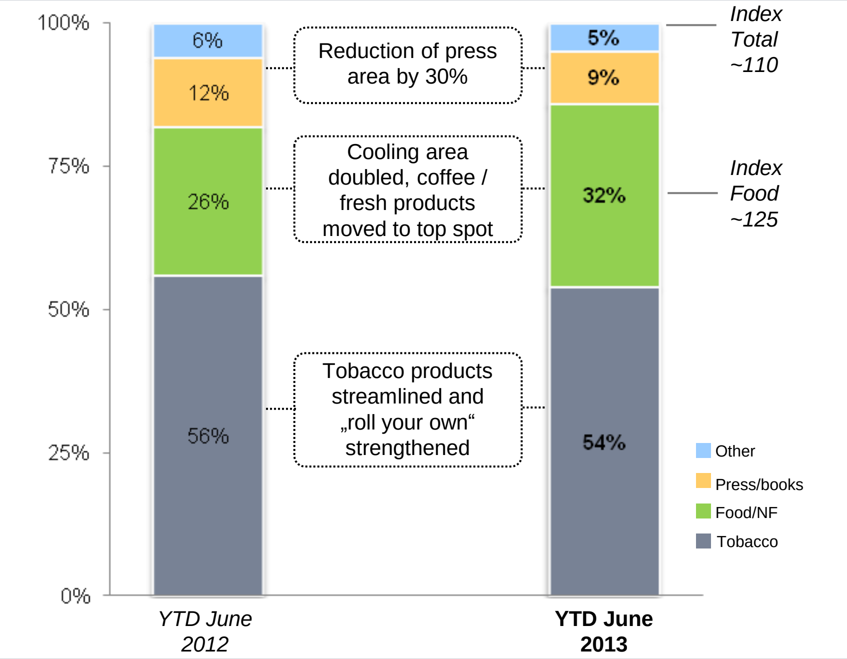
## Comments

- Integration of CC / reconfiguration of CC network requires time and effort | Unit relaunches require protracted search for franchisees
- March 2013 objectives for rebuilds revised | Co-operation established with Lekkerland

# Valora Retail Switzerland

*Implementation of new kiosk concept, as exemplified by Stans outlet (rebuilt in February 2013)*

## Sales breakdown by product (in %)





## Comments

- Outlet rebuild boosted sales by ~10%
- Gross profits increased ~15% thanks to new product mix
- Reduced press range cuts sales by ~15%
- Rebuild project on track – 100 outlets by year-end 2013

# Ditsch/Brezelkönig

*Growth objectives met as planned*

## Brezelkönig Switzerland

- Railway-station outlets opened in Lausanne, Zurich-Sihlpost and Baden during H1 2013
- Two further new outlets planned for Zurich and Geneva during H2 2013
- Zurich-Sihlpost outlet to serve as (space-sharing) model for further enhancements to existing Valora sites
- Successful collaboration between Brezelkönig and Valora‘s avec. and k kiosk formats (butter pretzels and pizza snacks)

## Ditsch Germany

**Outlet network | Synergies**

- Operational expansion during 2013
- Six new sites opened
- Network optimised by closing units which failed to meet profitability targets
- 12 further new openings planned for H2 2013

**Wholesale**

- Valora (convenience) units to be supplied from H2 onwards
- New production line went live during H1 | Higher volumes and further quality enhancements achieved
- Domestic German market is competitive and demanding
- Good international potential being exploited by stronger export organisation

# Valora Services

*Substantive negotiations initiated with interested parties | Goal: to hand over control*


## Valora Services redirection process *(illustrative)*

Preparation «carve out»

Exploratory discussions

Evaluation and negotiation phase

*Spring 2013* | *August 2013* | *Year-end 2013*

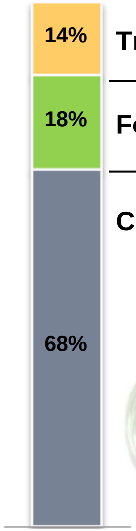
**Comments**

- All strategic options for a sustainable future direction for Services division to be evaluated as well as continued emphasis on expanding nilo logistics unit
- First substantive negotiations with potential partners/purchasers scheduled in next few weeks
- Objective: to hand over control of Services business area

# Valora Trade

*Further measures to imporove profitability required*

## New categories




Share of revenues

**Travel retail**
- Positive revenue trends
- Offsets principal-merger effects

**Food service**
- Good market conditions
- New principals acquired

**Cosmetics**
- Generally stable performance
- Cosmetics have disproportionately high sales in Q4 (Christmas)
- New principals signed up. Integration and development work required on these


## Classic

### Portfolio streamlining

- Transformation phase began by end of 2012
- Some contracts with selected principals successfully renegotiated
- First partnerships discontinued with manufacturers due to insufficient profitability
- Several new small and medium-sized principals acquired, such as:

### Additional measures

- Further reduction of operational costs

# Agenda

# Outlook

*Targeted adjustments to achieve sustained improvement in profitability*

- **Valora Retail** Further enhancements to core formats and product ranges in all national markets
- **Ditsch/BK** Expansion and exploitation of synergy potential across national markets and formats

- **Valora Services** Various possible opportunities to be evaluated. Decision to be taken in Q3 2013
- **Valora Trade** Focus on profitability through portfolio streamlining and cost reductions

- **FY 2013** Operating profit of CHF 75 million projected for 2013, plus CHF 5-10 million from one-off factors

# Contacts
# Corporate calendar

## Contacts


| | | |
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## Corporate calendar

| | |
|---|---|
| 2013 results | April 3, 2014 |
| 2014 ordinary general meeting | May 7, 2014 |

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www.valora.com

# APPENDIX

# Valora Group, H1 2013 results

| in CHF million | H1 2013 | H1 2012 | Δ |
|---|---|---|---|
| **External sales** | **1 691.3** | **1 568.8** | **+7.8%** |
| **Net revenues** | **1 412.1** | **1 387.2** | **+1.8%** |
| **Gross profit** | **504.1** | **441.7** | **+14.1%** |
| *Gross-profit margin* | *35.7%* | *31.8%* | *+3.9 pct pts* |
| **Operating costs** | **-474.3** | **-428.1** | **+10.8%** |
| *Operating costs in % of net revenues* | *-33.6%* | *-30.9%* | *-2.7 pct pts* |
| Other income | 4.0 | 4.4 | -8.5% |
| **EBITDA** | **66.0** | **43.2** | **+52.8%** |
| **EBITDA margin** | **4.7%** | **3.1%** | **+1.6 pct pts** |
| **EBIT** | **33.8** | **18.0** | **+88.1%** |
| **EBIT margin** | **2.4%** | **1.3%** | **+1.1 pct pts** |

# H1 2013 net profit

| in CHF million | H1 2013 | H1 2012 | Δ |
|---|---|---|---|
| **EBITDA** | **66.0** | **43.2** | **+52.8%** |
| **EBIT** | **33.8** | **18.0** | **+88.1%** |
| Financing operations, net | -9.3 | -4.8 | -92.5% |
| Share in result of associates and JVs | 0.1 | 0.1 | -50.1% |
| **Earnings before taxes** | **24.6** | **13.3** | **+85.3%** |
| Income taxes | -3.8 | -1.8 | -113.6% |
| **Group net profit** | **25.8** | **11.5** | **+124.5%** |
| Tax rate | 15.3% | 13.3% | -2.0 pct pts |

# Valora Retail, H1 2013 results

| in CHF million | H1 2013 | H1 2012 | Δ |
|---|---|---|---|
| **External sales** | 1 105.2 | 991.2 | +11.5% |
| **Net revenues** | 824.0 | 807.6 | +2.0% |
| **Gross profit** | 301.8 | 288.2 | +4.7% |
| *Gross-profit margin* | *36.6%* | *35.7%* | *+0.9 pct pts* |
| **Operating costs, net** | -286.0 | -277.9 | +2.9% |
| **EBITDA (adjusted)*** | 36.7 | 30.3 | +21.2% |
| **EBITDA-Marge (adjusted)*** | 4.5% | 3.7% | +0.7 pct pts |
| **EBIT** | 15.8 | 10.3 | +53.8% |
| **EBIT margin** | 1.9% | 1.3% | +0.6 pct pts |

# Ditsch/Brezelkönig, H1 2013 results

| in CHF million | H1 2013 | H1 2012 | Δ |
|---|---|---|---|
| **Net revenues** | 93.3 | n.a | n.a. |
| **Gross profit** | 70.9 | n.a | n.a. |
| *Gross-profit margin* | *76.0%* | n.a | n.a. |
| **Operating costs, net** | -60.7 | n.a | n.a. |
| **EBITDA** | 17.3 | n.a | n.a. |
| **EBITDA margin** | 18.6% | n.a | n.a. |
| **EBIT** | 10.2 | n.a | n.a. |
| **EBIT margin** | 11.0% | n.a. | n.a. |

# Valora Services, H1 2013 results

| in CHF million | H1 2013 | H1 2012 | Δ |
|---|---|---|---|
| **Net revenues** | **161.7** | **264.9** | **-38.9%** |
| **Gross profit** | **42.6** | **64.7** | **-34.2%** |
| *Gross-profit margin* | *26.3%* | *24.4%* | *+1.9 pct pts* |
| **Operating costs, net** | **-36.8** | **-57.2** | **-35.7%** |
| **EBITDA** | **8.0** | **11.1** | **-27.8%** |
| **EBITDA margin** | **4.9%** | **4.2%** | **+0.8 pct pts** |
| **EBIT** | **5.8** | **7.5** | **-21.7%** |
| **EBIT margin** | **3.6%** | **2.8%** | **+0.8 pct pts** |

# Valora Trade, H1 2013 results

| in CHF million | H1 2013 | H1 2012 | Δ |
|---|---|---|---|
| **Net revenues** | 398.3 | 385.1 | +3.4% |
| **Gross profit** | 88.7 | 88.8 | -0.1% |
| *Gross-profit margin* | *22.3%* | *23.1%* | *-0.8 pct pts* |
| **Operating costs, net** | -86.6 | -84.8 | +2.2% |
| **EBITDA** | 4.1 | 5.6 | -26.7% |
| **EBITDA margin** | 1.0% | 1.4% | -0.4 pct pts |
| **EBIT** | 2.1 | 4.0 | -48.8% |
| **EBIT margin** | 0.5% | 1.1% | -0.5 pct pts |

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