



valora

GROUP PRESENTATION

6 June, 2018

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AGENDA

1. FINANCIAL REVIEW & HIGHLIGHTS 2017
2. KEY INITIATIVES 2018
3. IMPACT OF IFRS 15 AND 16 ON FINANCIAL RESULT

VALORA: KEY INVESTMENT HIGHLIGHTS



Clear strategy: Focused convenience and food service player

Focused on global mega trends: Convenience & out-of-home consumption

>2,800 point of sales at high traffic locations and transportation hubs

A portfolio of strong brands and formats including own brands

Significant market presence in German-speaking Europe

One of the worldwide leading pretzel manufacturers

Headquarter:
Muttenz, Switzerland

People working in
network: > 15,000

Swiss Stock Exchange

KEY FIGURES 2017



EBIT
79.0 mCHF
+6.8 mCHF

EBIT Margin
3.8%
+0.4%pt

GP Margin
42.0%
+0.5%pt

ROCE
8.6%
+0.3%pt

FCF
82.0 mCHF
+9.5 mCHF

Leverage Ratio
1.7x
+0.1x

KEY FINANCIALS 2017



Figures in mCHF

RETAIL	GROUP*	FOOD SERVICE
2,242	External Sales: 2,562	316
1,785	Net Revenues: 2,075	287
647	Gross Profit 872	222
36.2%	GP Margin** 42.0%	77.4%
70	EBIT 79	26
3.9%	EBIT Margin** 3.8%	9.1%
31	Capex 53	20
19.8%	ROCE 8.6%	5.9%
33.3% w/o Goodwill	15.5% w/o Goodwill	14.7% w/o Goodwill

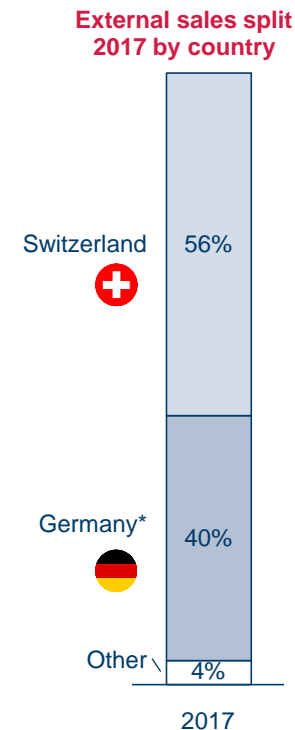
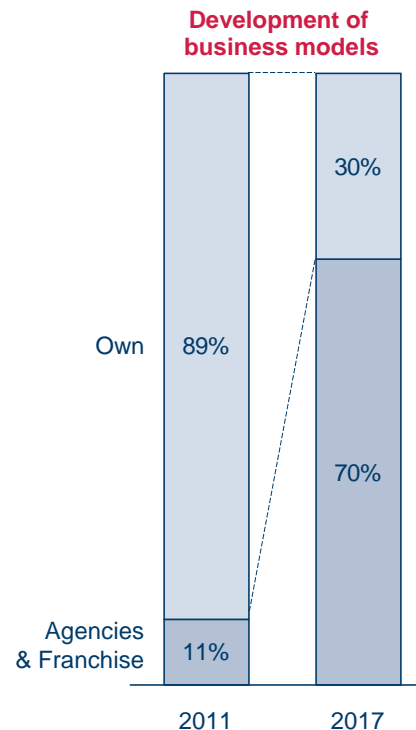


* Including other for corporate
 ** Margins in % of net revenues

Note: BackWerk, included only for two months in Group and Food Service segment

STRONG FORMATS AND ENTREPRENEURIAL BUSINESS MODELS

Format and number of stores		Dec. 2016	Dec. 2017	Change
RETAIL	kiosk	1,273	1,228	-45
	Press & Books	210	213	+3
	cigo & subformats	427	439	+12
	avec	130	140	+10
	SSDB	115	94	-21
	U-Store	25	24	-1
FOOD SERVICE	Ditsch	218	220	+2
	Brezelkönig CH	56	56	0
	Brezelkönig International	6	7	+1
	Caffè Spettacolo	38	35	-3
	BackWerk	n/a	345	+345
	Total		2,498	2,801



* Including B2B business; BackWerk included only for two months



Key initiatives 2018

MACRO TRENDS DRIVE TOP RETAIL TOPICS

MARKET DYNAMICS

CHANGING CUSTOMER BEHAVIOUR



Convenience and impulse will become bigger drivers of food shopping



Mobility / Surface travel will evolve



Commercial property markets become more sophisticated



Digital will continue to grow influencing press market



Tobacco market evolving (e-smoke)



Regulation of labour market



Competition & consolidation will increase



Omnichannel offering with increasing importance

DIGITALISATION

VALORA STRATEGY



GROWTH

Same-store growth	Ticket size
	Footfall
	Pricing
Expand	Existing geographies
	New geographies



INNOVATION

Digital opportunities	Loyalty app
	Retail analytics
	Digital signage
New concepts	Introduce new services
	Develop new concepts



EFFICIENCY

Increase profitability	Process improvements
	Leverage international platform
	Realize cost synergies
	Purchasing conditions & promotions



PERFORMANCE CULTURE

Enter-preneurial spirit	Agency & franchise business model
	Joint values and vision
Organi-sation	Development of employees
	Lean & agile organisation



RETAIL: KEY INITIATIVES 2018



Retail Switzerland:

- Introduction of the new ultra-fresh logistics platform:
 - Launch of the platform (IT & logistics) in Q1 2018 to receive ultra-fresh food, which also will speed up time-to-market for new products
 - In the next phase, new fresh food products will be introduced in H2 2018
- Start of roll-out of selected new avec stores with new look & feel in autumn 2018
- Further develop and enlarge agency network
- Expansion of e-smoke offering (liquids)
- Develop «Future Store» with focus on ultimate convenience & digital experience

Retail Germany:

- Continued roll-out of e-smoke and strengthen awareness for expertise
- SAP implementation in Germany and Luxembourg on track
- Cost initiatives identified and initialised

FOOD SERVICE: KEY INITIATIVES 2018



Food Service:

- Capacity expansion in Oranienbaum (Ditsch) and in Cincinnati/US (Pretzel Baron) on track
- Potential selective price increases in B2B due to ongoing pricing pressure in raw materials
- Further expand BackWerk network in existing countries and introduce new BackWerk «feel-good food» concept also in Switzerland
- Introduce ok.- energy drinks in BackWerk stores in June 2018
- Building on joint projects with SSP and Autogrill for further expansion of Brezelkönig International
- Combined logistic hub for Food Service Switzerland (Caffè Spettacolo and Brezelkönig) to be launched in Q4 2018 / Q1 2019



**Impact of
IFRS 15 & 16
on Financial Result**

IFRS 15: Revenue Recognition

- The standard became effective as of 1 January 2018
- Under IFRS 15, companies have to follow a new framework to recognize revenues
- Applying the new framework generally leads to changes in the amount and/or timing of revenues
- The impact can differ materially by industry

IFRS 16: Leases

- The standard becomes effective as of 1 January 2019
- Under IFRS 16, companies will bring operating leases on the balance sheet, using a common methodology
- Companies will appear to be more asset-rich but also more heavily indebted
- Key figures and performance indicators will face major changes

Both standards are accounting changes and do not affect the underlying operating business and cash generation.

IFRS 15: REVENUE RECOGNITION

First indication of IFRS 15 impact on Net Revenues and Gross Profit Margin:

P&L 2017 (reported)	Margin in %	IFRS 15 Impact	2017 "restated" incl. IFRS 15	Margin in %
Figures in mCHF				
Net Revenue	2,075	~ -70	2,005	
COGS	-1,203	~ +70	-1,133	
Gross Profit	872	0	872	43.5%

- The new IFRS 15 standard only has limited impact on the net revenues of Valora
- The relevant part of IFRS 15 which impacts Valora's figures differentiates between:
 - «distinct» services, which are recognized as revenue and;
 - «not distinct» services, which are recognized as a reduction of cost of goods sold (COGS)
- This difference is particularly important for Valora for promotion services and listing fees, most of them are not distinct and therefore recognized in COGS from 2018 onwards
- Valora will restate 2017 accordingly

General

- IFRS 16 requires a lessee to recognize minimum or fixed lease payments as a right-of-use-asset and a corresponding liability for almost all leases.
- Valora as a lessee entered into a large number of lease contracts for its point of sales (> 2'800) and non POS related leases (> 200).

Balance Sheet

Asset

Right-of-use
of underlying
asset

Liability

Obligation of
future lease
payments

P&L

Variable leases:

- No change

Expenses related to fixed leases:

- Depreciation of the right-of-use asset
- Interest expense on the lease liability

Right-of-use asset:

- To be depreciated on a straight-line basis over the remaining term of the lease

Lease liability:

- To be reduced by a yearly fixed lease payment, which consists of the amortisation portion and the interest portion:
 - The amortisation portion reduces the lease liability, whereas;
 - The interest portion will be recognized directly in the P&L

IFRS 16: LEASES

Illustrative example on how IFRS 16 changes the accounting of a lease contract:

Pre IFRS 16: Contract with fixed and variable lease payment				Post IFRS 16			Comment
P&L	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3	
<small>in mCHF</small>							
Revenues	100	102	104	100	102	104	
Gross Profit	60	61	62	60	61	62	
Leases fix	-22	-22	-22	0	0	0	Fixed leases are capitalized
Leases variable	-5	-5	-5	-5	-5	-5	
Operating costs	-15	-15	-16	-15	-15	-16	
EBITDA	18	19	20	40	41	42	Lack of fixed lease expense
EBITDA margin	18%	19%	19%	40%	40%	40%	
Depreciation	-2	-2	-2	-2	-2	-2	
Depreciation of right-of-use asset				-20	-20	-20	Depreciation of right-of-use-asse
EBIT	16	17	18	18	19	20	
EBIT margin	16%	17%	17%	18%	18%	19%	
Financial result	0	0	0	-3	-2	-2	Interest expense on lease liability
EBT	16	17	18	15	16	18	

Assumptions for illustrative lease contract example:

- Revenue growth: 2% p.a.
- Gross margin: 60% of revenues
- Leases fix: 22 mCHF p.a.
- Leases variable: 5% of revenues
- Operating costs: 15% of revenues
- Depreciation: 2 mCHF p.a.
- Lease contract duration: 5 years
- Interest rate: 3% p.a.
- PV of lease obligation (lease liability) = 100 mCHF
- Depreciation of right-of-use asset: 20 mCHF p.a.

IFRS 16: IMPACT OF SUBLEASES

Illustrative example (in mCHF):

General	Head Lease only	Head Lease & Sublease																								
<ul style="list-style-type: none"> Most of Valora's lease contracts are agreed directly with the landlords (= head lease) as Valora has better access to top locations. This is part of Valora's business model. Valora subleases part of these leases to its franchisees (c. 1/3 of its lease contracts) and recognizes sublease income from franchisees as revenues. With IFRS 16, income from subleases (that are classified as finance lease) will no longer be permitted to be recognized as revenues. While sublease receivables will be capitalized as net investment, the corresponding portion of the right-of-use asset will be derecognized. 	<p>Balance sheet</p> <table border="1"> <tr> <td>Right-of-use asset</td> <td>100</td> <td>Lease liability</td> <td>100</td> </tr> </table> <p>P&L</p> <table border="1"> <tr> <td>Depreciation of the right-of-use asset</td> <td>-20</td> </tr> <tr> <td>Interest expense on the lease liability</td> <td>-3</td> </tr> </table>	Right-of-use asset	100	Lease liability	100	Depreciation of the right-of-use asset	-20	Interest expense on the lease liability	-3	<p>Balance sheet</p> <table border="1"> <tr> <td>Right-of-use asset</td> <td>80</td> <td>Lease liability</td> <td>100</td> </tr> <tr> <td colspan="2">Sublease net investment</td> <td>20</td> <td></td> </tr> </table> <p>P&L</p> <table border="1"> <tr> <td>Sublease revenues</td> <td>-5</td> </tr> <tr> <td>Interest on sublease net investment</td> <td>+1</td> </tr> <tr> <td>Depreciation of the right-of-use asset</td> <td>-16</td> </tr> <tr> <td>Interest expense on the lease liability</td> <td>-3</td> </tr> </table>	Right-of-use asset	80	Lease liability	100	Sublease net investment		20		Sublease revenues	-5	Interest on sublease net investment	+1	Depreciation of the right-of-use asset	-16	Interest expense on the lease liability	-3
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IFRS 15 & 16: IMPACT ON GROSS PROFIT MARGIN

First indication of IFRS 15 & 16 impact on Net Revenues and Gross Profit Margin:

P&L 2017 (reported)	Margin in %	IFRS 15 Impact	2017 "restated" incl. IFRS 15	Margin in %	IFRS 16 Impact	2017 "pro-forma" incl. IFRS 15 & 16	Margin in %
Figures in mCHF							
Net Revenue	2,075	~ -70	2,005		~ -40	1,965	
COGS	-1,203	~ +70	-1,133			-1,133	
Gross Profit	872		872	42.0%	~ -40	832	42.3%

IFRS 16: IMPACT ON CURRENT KPIs

CURRENT FINANCIAL FIGURES AND KPIs WILL CHANGE FUNDAMENTALLY



Current KPIs Valora Group	Actual 2017 in mCHF	2017 pro-forma change (in mCHF)
Total Assets	1,409	↑ ~ +600
Net debt	246	↑ ~ +600
Leverage ratio	1.7x	↑ ~ +1.8x
Equity ratio	52.4%	↓ ~ -15%pt
ROCE	8.6%	↓ ~ -3%pt
EBITDA	134	↑ ~ +100
EBIT	79	↑ ~ +10
Free Cash Flow	82	↑ ~ +100

Note: The information is indicative only and based on the status of the analysis to date. There may be substantial changes for each and any indications depending on further analysis. Valora is currently assessing the sustainability of its KPIs and will further communicate on this.

KEY TAKEAWAYS OF IFRS 16 IMPLEMENTATION



- Neither the operating business nor the profitability and net cash flow will change
- Capitalization of leases does not say anything about the quality or profitability of the lease contract
- Key figures and performance indicators will face major changes
 - ✓ The balance sheet faces substantial inflation
 - ✓ The P&L structure will change significantly
- KPIs and Guidance:
 - ✓ Valora is currently assessing the sustainability of its existing KPIs
 - ✓ A Guidance translation will be communicated in due time

A close-up photograph of a white ceramic coffee cup filled with a latte. The coffee has a light brown color and a smooth, frothy texture. The surface of the coffee is decorated with intricate latte art, featuring a central heart shape with radiating lines, resembling a stylized leaf or a fan. The cup is set against a solid, warm gold background. A dark blue rectangular overlay is positioned on the left side of the image, partially covering the cup and the background.

Q&A

Brightens up
your journey.



valora

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