Presentation of 1Q2015 Results

Tuesday, 12th May - 5:30 pm (CET)

Chief Executive Officer : Gianmario Tondato Da Ruos

Chief Financial Officer Alberto De Vecchi

Head of Investor Relations Elisabetta Cugnasca

Operator: Ladies and gentlemen, welcome to Autogrill's first quarter 2015 financial results presentation.

Elisabetta Cugnasca - Investor Relations Manager: Good afternoon and welcome to our first quarter 2015 call. As usual, I have to draw your attention to the disclaimer on page 2. All the numbers we will be referring to are on a constant exchange rate basis unless we say otherwise. Now, let me hand over to Gianmario Tondato, our group CEO and Alberto De Vecchi, our group CFO, who will take you through our results in detail.

Gianmario Tondato - Chief Executive Officer: Thank you, Elisabetta. Good afternoon, everyone. Let me say that I'm pleased with the results that we have delivered in the first quarter of 2015, because we have delivered a very strong EBITDA, up almost 7% in the quarter, or up over 13% if you exclude the one-off due to the fracturing of the United States. At the current exchange rate, EBITDA grew about 40%, up to 22 million euros. We have continued also to develop our business in Asia, even in China after ten years of success and we are now in two airports, Beijing and Sanya. What we should have done better is capture sales with the increase in traffic that we saw. Our top line is just in line with traffic in the US, whereas we aspire to outperform the traffic, as we did in the past. For a number of years, we focused on efficiency to mitigate the difficult environment that we have been operating in, but efficiency is now no longer the only name of the game, as the macroeconomic environment is improving. Traffic, finally, is growing as well. So, capturing the opportunity that traffic presents is now the other game we have to play. If you look at the US, in the first quarter we have excellent results in terms of labor productivity, and so EBITDA, as I said before, grew over 15%. Focus on flow-through is… we are very focused on flow-through and this is probably the reason why our results, in terms of sales, were below what we should have aspired to. Efficiency is a good base to start from, but now we will also try to capture more sales. In terms of the top line, what we intend to do is not revolutionary, but the mindset of our people is not going to change overnight, as you can imagine, in an organization that is very large and very sizeable. When the focus on sales is internalized by our managers on the ground and their teams, I'm confident that we will benefit from the traffic opportunities as well. That is why you see that in our guidance for the year there is still more efficiency coming through the top line effectiveness. Our EBITDA margin will grow from 8% in 2014 to 8.6% in 2015. So, in conclusion, I'm pleased with our first quarter results in terms of profitability, and I'm confident that now we will be able to match these results also in terms of sales. With that, Alberto will take you through the numbers.

Alberto De Vecchi - Chief Financial Officer: Thank you, Gianmario, and good afternoon. Looking at our numbers in more detail, let's start with our North American business and first with our performance at airports, where we generated close to 85% of our sales in the region. In the first quarter 2015, our total sales in North American airports were up 2.1%. The two geographies that make up our North American business, that are United States and Canada, performed very differently, with US sales growing by 3.2% and Canada sales falling by 7.4%, which

equated to a fall of 17.6% when we consider also the weakness of the Canadian dollar towards the US dollar. So, looking first at our Canadian performance, both at Toronto and Montreal, which are two out of the three main airports in the region, in the country, we have suffered as a result of too many F&B offering compared to the volume of passengers, an overcapacity that leads to tougher competition. In the US we have grown, on a comparable basis, as Gianmario said before, almost in line with traffic, which was up 3.5%, that is not bad but distant from our track record of continuous outperformance on traffic. As a matter of fact, the growth was driven by a higher ticket rather than more transactions. Why is that? There isn't a single reason, as in Canada, and also in selected US airports, we have experienced tougher competition, frequently driven by an excess of food&beverage offer, which generates a downward pressure on capture. Also our always demanding attitude in managing labor productivity, although it tends to deliver excellent results in terms of EBITDA, may have led us to lose some customer flows. Then on North American motorways our sales grew 3.6% on a comparable basis, with traffic up 2.7%. On this channel, Canada had a positive impact on both traffic and sales, also as a result of less severe weather experienced in this period compared to last year. EBITDA in North America grew by 11.4%, notwithstanding a restructuring cost of 2.8 million dollars. If we eliminate the impact of the restructuring cost on both first quarter in 2015 and 2014, the EBITDA would have grown about 15.6%. This very strong performance was the result of both a favorable sales/mix and a number of initiatives that we have launched over the last 18 months to manage costs more effectively. Now, moving to our international business, which delivered double-digit growth in sales: the new contracts awarded and openings in new geographies, like Vietnam, Turkey, Russia and Indonesia, have resulted in a sales increase close to 40% in the new geographies. In Northern Europe, we had a strong performance at Amsterdam airport. The sales performance of Northern Europe is partially understated in the first quarter numbers, due to an issue related to different reporting cut-offs in the contracts… in the contracts in the UK, Ireland, Sweden and Denmark, which transferred at the end of last year from our European organization to international. This impact will be largely absorbed on the full-year numbers. EBITDA for our international business saw a small fall, from 4.4 million to 4 million euros due to the bedding-in process at new points of sale. Now, looking at Europe, where sales fell by 4%, but were impacted by two very different dynamics: in Italy we saw a fall in sales of 8.7% driven by our decision to exit points of sale last year, in 2014. Excluding the change in perimeter, which had a total impact of 17 million in the quarter, the fall in Italian sales would have been 1.6%. Focusing now on our main Italian channel, which is motorways, on a like-for-like basis our sales in Italian motorways fell 1.8%. Traffic data at the moment is limited to the ASPI network, the Autostrade per l'Italia network, which indicated a growth in the traffic in the first quarter of about 0.9%. What we can deduce from this first quarter performance is that traffic is showing a degree of stabilization, which is positive, but consumption seems to be slow to resume. I also wanted to draw your attention to the fact that last year this decision to renew the points of sale under renewal selectively has had an effect in terms of lower sales starting from July. That is in the first half of the year we will see a significant change in perimeter, while in the second half of the year this change in perimeter will be the PS. Then, the other dynamics that I mentioned before in Europe has been seen in other European countries, where we have seen a positive sales trend continuing after an already positive 2014. Sales grew by 5.9% and 2.8 at constant exchange rates, the difference being generated by the Swiss franc revaluation. To comment the performance of this area only at constant exchange rates would not be completely fair in this case. Although it is true that the revaluation of the US… of the Swiss franc has generated a positive translation effect on our sales denominated in that currency, the flip side is the very negative impact on actual sales in our service areas on the border of Switzerland and Germany. Keep in mind that more than 50% of our sales on Swiss motorways is generated at these service areas close to the German border. Then, digging into the sales data by geography, apart from France, where we saw a small fall due to the exit from some points of sale, and Switzerland, due to the mentioned decline in sales at the borders, we experienced growth in other European countries where we are present, and especially in Spain, Holland and Belgium. Now, moving to Europe EBITDA, the EBITDA has remained almost in line with the first quarter 2014, that is 9.4 million euros, including the European central cost of 2.2 million. This EBITDA stability is the result of the improvement in Italy and a slight fall in some of the other European countries. EBITDA performance in Italy

benefited from the exit of non-profitable points of sale, that we did last year, a better sales/mix, which resulted in a lower cost-of-goods-sold, and the first benefits coming from SP1. This better performance allowed us to more than compensate for the increase in rents on the renewed points of sale on motorways. Vice versa, in the other European countries we saw a small fall in EBITDA, mainly due to operational leverage on the lower sales in Switzerland and France. Closing my remarks on the group EBITDA, group corporate costs were up slightly compared to first quarter 2014. Now, if we move below EBITDA, depreciation increased mainly due to the appreciation of the dollar, as the majority of our investments are in North America. The negative EBITDA in the first quarter… excuse me, the negative EBIT in the first quarter is an obvious consequence of the seasonality of the business, which concentrates most of the revenues, and consequently margins, in the months from May to September. The increase in financial charges is due to the accelerated depreciation of the 1.3 million euros of bank fees paid in 2011 as a result of the refinancing of our 700 million bank facilities we completed last March. In fact, at constant exchange rates and excluding this one-off, interest rates would have fallen by close to 10% thanks to the reduction of the average cost of debt, which declined from 5% of the first quarter 2014 to 4.4%. Pre-tax profit remains unchanged at around 36 million euros, a small increase in tax accruals and minorities resulted in a slightly worse net loss for the period. Then… if we move then to the cash-flow statement, higher EBITDA and lower absorption from the net working capital translated into an improvement in cash-flow from operations, which is negative by around 1 million euros in the first quarter 2015 compared to a negative 12 million at the same time last year. This improvement nearly compensates the increase in investments paid in the period. The cash absorption typical in the first quarter and the impact of the revaluation of the US dollar explained the increase in net debt from 690 million euros in December 2014 to just over 800 million at the end of the first quarter 2015. The translation effect on the dollar… on the debt denominated in dollars is responsible for almost one half of the debt increase. As I mentioned earlier, in March we obtained an extension of our financing facility, which is the extension of the 250 million dollar revolving credit facility for HMSHost from 2016 to 2020, and the new credit facility of 600 million euros for Autogrill spa, maturing in 2020, which has been used to repay the facility that was going to expire by 2016. As a result, we now have an average length of debt of over 5 years. Gianmario has already given you the guidance for the year, so let me give you an update only on our current performance, sales performance. Sales in week 18 year-to-date were up 0.3%, which is 11.3% at current exchange rates. In North America, sales are up by 1.3%, as in the first quarter, with a strong average ticket compensating for a soft capture on which we are, as Gianmario said before, we are working hard. Our international business is growing by 25.5% and with a double-digit growth also on a like-for-like basis. European activities are down by 4.3%, due… mainly due to the sales decrease in Italy still related to the change in perimeter. Now, we are happy to take any of your questions.

Q&A session:

Operator: Ladies and gentlemen, the Q&A session is now open. You can register for your questions by dialing star followed by 1. To cancel the reservation, dial star followed by 2. Thank you.

Operator: We have no reservations for the moment. I remind you that if you want to register for your questions, you can press star followed by 1.

1. Mr. Marco Baccaglio from Kepler:

Q – Marco Baccaglio: *Yes, good afternoon. Can you go a bit more in detail about what you intend to do in the US market to improve the capture? Are you reducing pricing? Do you find new formats that might help you compared to what you have? Thank you.*

A – *Gianmario Tondato - Chief Executive Officer:* Yes, I think, you know, as I said at the beginning, it's quite simple, and let's view some examples. If you take an airport like Chicago, for instance, you see we grew sales for around 10%, almost double digit, the reality is that… we should be happy… the reality is that, you know, also traffic grew around 10%, you know, so it was a ramp-up of traffic… a traffic ramp-up and so I think, you know, we didn't probably expect or manage this ramp-up in traffic very well, so basically I think we could have done better. So we're talking about the whole game… the whole game is increasing hours, opening hours, increasing service, increasing… I think, you know, we were very tight in productivity in this quarter also because, again, the swing that is starting… the traffic… the swing back in the traffic was probably very strong, we were concerned also in how to manage our bottom line, so we ended up probably having a very tight productivity. It's as simple as that, I think. Right now we are, in my opinion, delivering a little bit a better… a better top line, you know, because we are adding hours, we are adding capacity to our facility.

A – *Alberto De Vecchi - Chief Financial Officer:* If I can add only another comment, say, in your question at least I got the impression that you perceive that we had a very strong average ticket because we increased prices, in fact it was because of the sales/mix… mix of the concept. It is a general trend. As we mentioned in the last two years, this run for local concepts has resulted in having more, let's say, a fine-dining concept and a much less QSR concept. That ultimately resulted in a higher average ticket. What I say is that the offer is moving in that direction, that probably… I'm not saying that we've done a great performance in the first quarter, we said that we might have done better, but probably, as there is some shift in the parameters of the industry, moving into a slightly different direction, it is more difficult now to, say, look at the over-performance in terms of flows, traffic, and transactions, because it is more in terms of traffic and value, because, at the end, there is a general fly-away from the lower-end concept both from the lender standpoint but also from the customer standpoint, and we have to follow the trend because, of course, we have to offer what the customers want. The thing is that we have to adapt, and definitely we are working in order to really try to catch the best out of this new concept that we have introduced. At the moment we are doing decent results but, of course, with this traffic the opportunity is higher and we want to catch this opportunity. But it's only this learning curve that we have to digest completely, I would say.

Q – Marco Baccaglio: *Just as a follow-up on this American situation, I see that your reported sales are almost flat in airports in dollars, but this is US dollars and probably also includes some Canadian dollar things, and you are declaring around 3.2%, say, sort of sales growth, is there any pressure from loss of contracts? What is the net… this is the development you're having in the US fracturing and those kinds of things? You had Fort Lauderdale that was bringing some contribution…*

A – Alberto De Vecchi - Chief Financial Officer: No, no, the minus and the plus are almost equal, in the sense that we had this Fort Lauderdale that wasn't there last year, in the meantime also we have to consider that we're still having some sales in the last three contracts, retail contracts that finally we sold at the end of last year to World Duty Free. So, plus and minus are… let's say that the perimeter is not the determinant of the difference in the first quarter.

Q – Marco Baccaglio: Thank you.

A – Alberto De Vecchi - Chief Financial Officer: You're welcome.

Operator: No questions at the moment. I'd like to remind you that if you want to register for your questions, you can press star followed by 1.

2. Ms. Rebecca McLachlan from Santander:

Q – Rebecca McLachlan: Yes, hi, good afternoon, it's Rebecca from Santander. Just one question on Italy, please. It's about your statement about the counter-effects of production and logistics paid in the review, can we just understand where it stands today and what further work there is to do in Italy in terms of the review please?

A – Alberto De Vecchi - Chief Financial Officer: Yes, on SP1, as I said in the comments of the performance in Italy, we are starting to see the first positive... you remember that last year we said that the implementation costs were higher than the benefits that we had, on the back of my mind, close to 1…. 1 and a half million of net costs out of SP1 for the full year, not for the quarter. This year, in the first quarter, we start seeing on the contrary a positive, not that big, because it's in the range of 300,000 euros, but it is a sign. And in terms of the expansion of the SP1 approach, at the moment we have implemented it on a part of the offer, that is the snack part of the offer, not on the full offer, so 2015 will also be dedicated to enlarging the application of SP1 to other categories, and, and… so that means that we do expect by the end… say, by the beginning of summer to start implementing it in the restaurant part. So, I think we can confirm that this year we will start seeing an amount… a positive amount, although the full opportunity of the SP1 will be seen probably next year. But starting already in 2015 we will see a positive contribution. That compared to 1 and a half million of negative last year.

Q – Rebecca McLachlan: Okay. But that 300 million was just the first quarter, right?

A – Alberto De Vecchi - Chief Financial Officer: 300 thousand, unfortunately.

Q – Rebecca McLachlan: Sorry, 300,000, yes… okay, thank you.

A – Alberto De Vecchi - Chief Financial Officer: The 300,000 is already included in the first quarter, so it's the result of SP1 in the first quarter.

Q – Rebecca McLachlan: Right, yes, and does that directly sort of build slightly going forward?

A – Alberto De Vecchi - Chief Financial Officer: It should be higher in the full year, obviously.

Q – Rebecca McLachlan: Yes.

A – Alberto De Vecchi - Chief Financial Officer: Possibly higher than multiplied by four, obviously…

Q – Rebecca McLachlan: Four...

A – Alberto De Vecchi - Chief Financial Officer: …because there is… more than four because there is, of course, seasonality, one, because we grew, say, 40% of our sales, almost 40% of our sales in the first quarter, so obviously the benefits will be higher in the fourth quarter than in the first one, but in general I think, as I said before, we have… say, our aim is to have probably one third of the total opportunity that we foresee for the SP1 as a benefit for this year.

Q – Rebecca McLachlan: Okay, all right, thank you.

A – Alberto De Vecchi - Chief Financial Officer: Welcome.

A – Gianmario Tondato - Chief Executive Officer: Welcome.

Operator: No questions at the moment.

Operator: I confirm, I have no questions.

A – Elisabetta Cugnasca – Investor Relations Manager: Okay, thank you very much and good evening.

Operator: Ladies and gentlemen, the conference call is over. Thank you for calling.