

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

***Elisabetta Cugnasca - Investor Relations Manager:*** Good afternoon and welcome to our third quarter 2015 conference 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 Alberto De Vecchi, our Group CFO, who will take you through our results. We will focus on the third quarter instead of the year-to-date figures, since summer months are the most important of the year, due to the seasonality of our business. We will take then your questions with our group CEO Gianmario Tondato.

***Alberto De Vecchi - Chief Financial Officer:*** Good afternoon. Our results for the third quarter are strong and confirm that, quarter after quarter, we are delivering on our targets, which are improving our profitability in core regions and growing in new geographies. The positive start to the summer, which we mentioned in July during the call on our half-year results, continued into August and September, thanks to the good weather in Europe and strong traffic across the board. These positive trends translated into double-digit growth both in the Group sales and EBITDA. Sales were up close to 12% and EBITDA up over 15% at actual exchange rates, but the growth has been positive also at constant exchange rates, showing sales that accelerate compared to the first half, and an EBITDA growing more than sales. And in fact, our EBITDA margin grew by over 30 basis points compared to last year. All our regions, North America, Europe, and international contributed to these strong results, showing growth in sales and EBITDA strengthening. Such a strong performance in the most important quarter of the year gives us added comfort to confirm our guidance, that is to say sales of 4.3 to 4.4 billion and EBITDA between 370 and 380 million. We might be a bit short than expected in terms of capex, probably in the range of 220 million, due to timing shifts in the completion of the work. Now, let's look at our third quarter performance in more detail, starting with our key region, that is North America. There, sales were up more than 5%, when we exclude from 2014 the residual four retail contracts which we sold to World Duty Free last February. The United States were pretty much the driver of the growth, while Canada, which represents around 13% of the region's sales, grew much less, being in negative territory if we include the effect of the weak Canadian dollar over the US dollar. Traffic in US airports has continued to be very strong in the third quarter, accelerating beyond the first half. Our sales at US airports have grown by 6.5%, both through more transactions and a higher average ticket. As we explained during our July call, although the traffic trend is very positive, penetration is harder than in the past years, especially due to the uneven distribution of the passenger flows during the day. We used the quarter to put in traction initiatives that we are confident will counteract the clustered nature of the strong traffic: initiatives to increase the capacity, like the grab-and-go and additional seating for the full service concepts, and initiatives to improve customer service, including delivery to gate. The focus on sales has not been at the cost of profitability, in fact our North American EBITDA was up by 50 basis points, compared to last year, which confirms the improvement shown in the first half. Cost-of-goods-sold was the main driver of the good economic performance in the quarter. Moving now to Europe: the favorable weather and traffic contributed to positive sales and EBITDA evolution in the quarter. Sales in the region grew by 0.5% and EBITDA by 5.8%. Italy had a positive summer, with sales on motorways up over 3% on a like-for-like basis, driven by a strong performance in F&B, which was up close to 6%. More F&B sales and less ancillaries had also a positive impact on margins in the country. Motorways performed also in the rest of Europe, particularly in Germany, Holland and Spain, which compensated for the negative result in Switzerland, where sales in the locations at the border with Germany were negatively affected by the appreciation of the Swiss franc. The region also delivered at airports, including Athens, Brussels and new openings in Dusseldorf, with sales up both on total and on a like-for-like basis. EBITDA showed a progress of 60 basis points, both in Italy and in the rest of Europe, a proof of the quality of our sales across the region. Let's move now to the part of the Group which has the mission to grow its footprint, that is international. This region is delivering with new openings and a very strong growth in sales. In fact, in the quarter we opened more than 20 new stores and sales in the region increased by close to 30%, not just due to new openings, but also on a like-for-like basis. Our key airport in the region, Amsterdam Schiphol, had an outstanding performance, growing in the quarter by close to 14%. EBITDA on international grew by over 30%, with margin on sales growing by 30 basis points. Main contributors to this result were northern Europe and our operations in India and Vietnam. So, in conclusion we are pleased with our results, as they are the proof that we are delivering on our two targets: improving profitability in our key regions and growing in new geographies. The Group's good economic performance translated into an increase in net cash-flow from operations of about 30 million euros. This allowed us to finance

more investments in the period. After the first half where we had invested very much in line with the previous year, in the third quarter we accelerated our capex spend to open points of sale related to recently awarded contracts, including in new markets. An example is Pier Zero at Helsinki, a new important addition to our growing presence in northern Europe. At the end of September 2015, thanks to the net cash generated, the Group's net financial position was below 600 million, which includes an amount of around 30 million euros of incremental debt as a result of the translation effect of the stronger dollar on the portion of our debt denominated in that currency. So, where are we now? Sales in October continued on a positive trajectory in all the three regions. In North America we continue to see a good performance in the US and some recovery in Canada. In Europe, we keep seeing a good performance in Germany, Belgium and Spain, whilst Italy also benefited from the Expo in Milan. In international the new openings in northern Europe are strengthening the organic growth. With that, Gianmario and I will take your questions. Thank you.

## **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.

1. Mr. **Ian Rennardson** from **Jefferies**:

*Q – Ian Rennardson:* Thank you. You must have had really good sales growth at the end of the quarter, because I can't really make the numbers add up. So that's one thing. The second thing would be, you know, the underlying traffic growth has accelerated quite nicely since you gave your guidance: why are you not raising your guidance at this point? Thank you.

*A – Alberto De Vecchi - Chief Financial Officer:* So, thank you for the question. Well, our guidance is based on the expectations we had immediately before summer, because we gave the guidance in May. And, in fact, we were assuming that the summer would have been better... it would have been a strong summer, and in fact we are now pleased to see that the summer, in fact, was in line with the expectations. So we think that considering the strong growth that we are achieving all across the board, that is included in the guidance, we thought that the guidance is a fair representation of what we can do this year. That's why we have confirmed it.

*Q – Ian Rennardson:* Okay, thank you. That's great, thanks.

*Operator:* There are no questions at the moment.

2. Mr. **Tim Ramskill** from **Credit Suisse**:

*Q – Tim Ramskill:* Thank you, and good evening everybody. I have three questions, please. The first is: could you... could you talk a little bit about the performance in Italy over the summer? I'm obviously aware that you're not able to share with us the traffic data that's not yet available, but the nice increase you've seen in like-for-like growth, do you think that's a consequence of further improvement in traffic versus what we have seen, say, after the second quarter? So, just some color around that, please. The second question was: obviously we've had some discussion at the two key stages you talked about regarding the difference between sales growth and traffic growth in the US airports, that's now moved back to a positive gap, you're outperforming the traffic, just talk about your confidence to sustain that moving forward, please. And then the final question, so apologies, it's a rather dull question, but there's clearly been a benefit to the tax line from changes in IRAP, and I just wondered if you could share with us your current understanding of how that will impact the full year. Thank you.

**A – Alberto De Vecchi - Chief Financial Officer:** Well, as far as the... let's start from the last one, the IRAP. The benefit for the year is approximately in between 4 and 5 million, in the sense that we were used to have an overall cost that is in excess... between 6 and 7 million and today we are probably in the range of 2... 2 million.

**Q – Tim Ramskill:** Thanks.

**A – Alberto De Vecchi - Chief Financial Officer:** In terms of the performance in the US, yes, you're right that... in fact we're pleased that we delivered a growth in sales that is above the traffic. In fact, we confirm that traffic today is more difficult than in the past. And, in fact, the... the combination of the increase in the average ticket and the transactions allowed us to outperform the traffic but, in fact, we are still, say, not penetrating the traffic fully, and the reason is because there is a lot... a bunch of concentration of flights in certain hours of the day when, in fact, even if we are very effective, we cannot serve all the potential customers, and there are parts of the day where traffic is weak. So, that makes the life of the operators more complicated. In general the load factors are already very, very high in the US, so we might expect that there is a sort of natural limit to this trend of increasing the load factor for the airlines. Whether we have already arrived to the maximum or not is difficult to predict, but I think that we don't expect the situation will change in the short term. That's why we are really working hard in order to find ways to capture traffic the best we can, and these are the measures that I mentioned before, during the previous... the previous description I gave: increasing the seats, trying to make our approach lighter, having also kiosks at the gates, trying to catch the customers where the customers are. We will continue on that, trying to...

**Q – Tim Ramskill:** Just to be clear... sorry to cut in, sorry to butt in, just on that point, how far through that process of optimizing those things you can control do you believe you are? Is that well embedded or is there still a lot to do?

**A – Gianmario Tondato - Chief Executive Officer:** Can you repeat please? Because the line's a little bit broken.

**Q – Tim Ramskill:** Sure, okay. So, in terms of your response by adding more grab-and-go, adding more seating, delivering to the gates, the things you talked about, how much of that have you rolled out? Is that largely complete or is there still a lot of work to do there?

**A – Gianmario Tondato - Chief Executive Officer:** I think, I think... if I can speak, I think there's a lot to do, you know, a lot to be done. So, we're starting but.. I think we... we're working on many projects, you know, I think it's going to improve, if you... if you want my gut feeling, you know.

**Q – Tim Ramskill:** Okay.

**A – Gianmario Tondato - Chief Executive Officer:** It's not already done, you know. There's still a lot to do.

**A – Alberto De Vecchi - Chief Financial Officer:** Yes, as far as Italy is concerned, say that... you were right that we don't have the statistics for the whole system. So, what we have is the data of the traffic related to the main landlord, that is ASPI, and for this main landlord traffic in the third quarter has grown about 3.8%. So, strong traffic in the period, also, let's say, favored by the very good weather. In general, the total performance we made, as we said before, is in the range of 3%, 3.1%, so we were not completely able to capture all the traffic but, let's say, in terms of composition of the sales, the sales were strong, because we made an increase that is close to 6% in the F&B projects. You know that our sales in Italy are divided in: food & beverages, restaurant products, market and then what we call ancillaries. So, the net is an increase of 3% but in fact the project, the food & beverages project has grown by close to 6%. And this is helping us, in fact, increasing our margins. While the reason why the growth is only 3% is because ancillaries went down by 0.6%. On ancillaries the good fact is that you don't need personnel to manage ancillaries, but the margins are really very low. So, in terms of, say, accretion, in terms of EBITDA, ancillaries are not very helpful in the P&L. So, net net, it's been a good year and we penetrate... probably it's a bit early to say that we have seen the attitude of the customers to increase consumption back. Probably it's a bit too early, I think that we have to see in the lower season whether this trend will continue or not before saying that it's on... so far, the result has been positive. In October, I would say.

**Q – Tim Ramskill:** Great. Thank you very much.

3. Mr. **Marco Baccaglio** from **Kepler**:

**Q – Marco Baccaglio:** (...)

Operator: Mr. Baccaglio?

**Q – Marco Baccaglio:** Yes, sorry, good afternoon. The first one is on Italy: Atlantia was mentioning a lowering in the concession fees for food & beverage operators, so I was wondering how this works, if it's minimum guaranteed and so we might see it more in weak quarters, like in Q4 and Q1 seasonally, or if it's a benefit that we are already seeing into your Q3 results in terms of margin improvement. The second one is if you can give us an update about the SP1 cost-cutting project: so what is the impact that you expect now compared to what you were thinking before? If it's working well or not. And then mechanical on the tax rate: is it fair to assume that in 2015 your tax rate will not exceed 40%? Thank you.

**A – Alberto De Vecchi - Chief Financial Officer:** Yes, I'll start with the tax rate. I think that it is a fair assumption.

**A – Gianmario Tondato - Chief Executive Officer:** Okay, talking about the lowering of the fees of Atlantia, that's good news, thank you. Thank you for telling us. I mean, I think it's... I think it's a work in progress, I think, you know, we're just seeing the beginning of this, you know, and it's not done yet. Of course, as you know, there is an important package that is going to be out for bid in the next... it's not just Atlantia, of course, there are many other motorways in Italy that are going to be bid in the next 6-7 months, so I think that's a trend, definitely a trend, you know. So what I think, you know, that Atlantia is saying, you know, is that they are expecting a lower income from the rents, you know, and that's in line with our expectations with the market expectations. Talking about SP1, I think I would like not to say that it's an initiative or what, because it's already in place. It's our business engine, if you want, right now. So, what we are seeing... so, just to give you an idea, so we, as Alberto was mentioning before, we are increasing our healthy sales, you know, what we call the main sales, so the F&B is much bigger now than it used to be, we are changing the mix of the sales, and, for instance, the restaurant we call Ciao, you know, is starting to get back to profitable numbers at night, just because of this new approach that we have and, but it's just the beginning. So... also our organization is learning a new way of running the operation that is quite different of what we had done before, you know. But... so better availability of products, it's much easier to follow the volatility of the traffic, you know that, as Alberto was mentioning before, you know, it's present in all the channels, not only in the airports but also in the motorways business. And I think it's something that we have done, in a couple of years it's something that is going to be really an important pillar of our change in the business approach in Italy.

Operator: Is the question over?

**Q – Marco Baccaglio:** Yes, on my side yes.

Operator: Okay. So there are no questions at the moment.

**A – Elisabetta Cugnasca – Investor Relations Manager:** Okay, thank you very much for having joined us in the conference call and have a nice evening.

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