



7th Swiss Bond Conference  
Zurich, September 24, 2014

# Agenda



1

Valora at a glance (history, figures, strategy)

Mladen Tomic

2

Capital structure

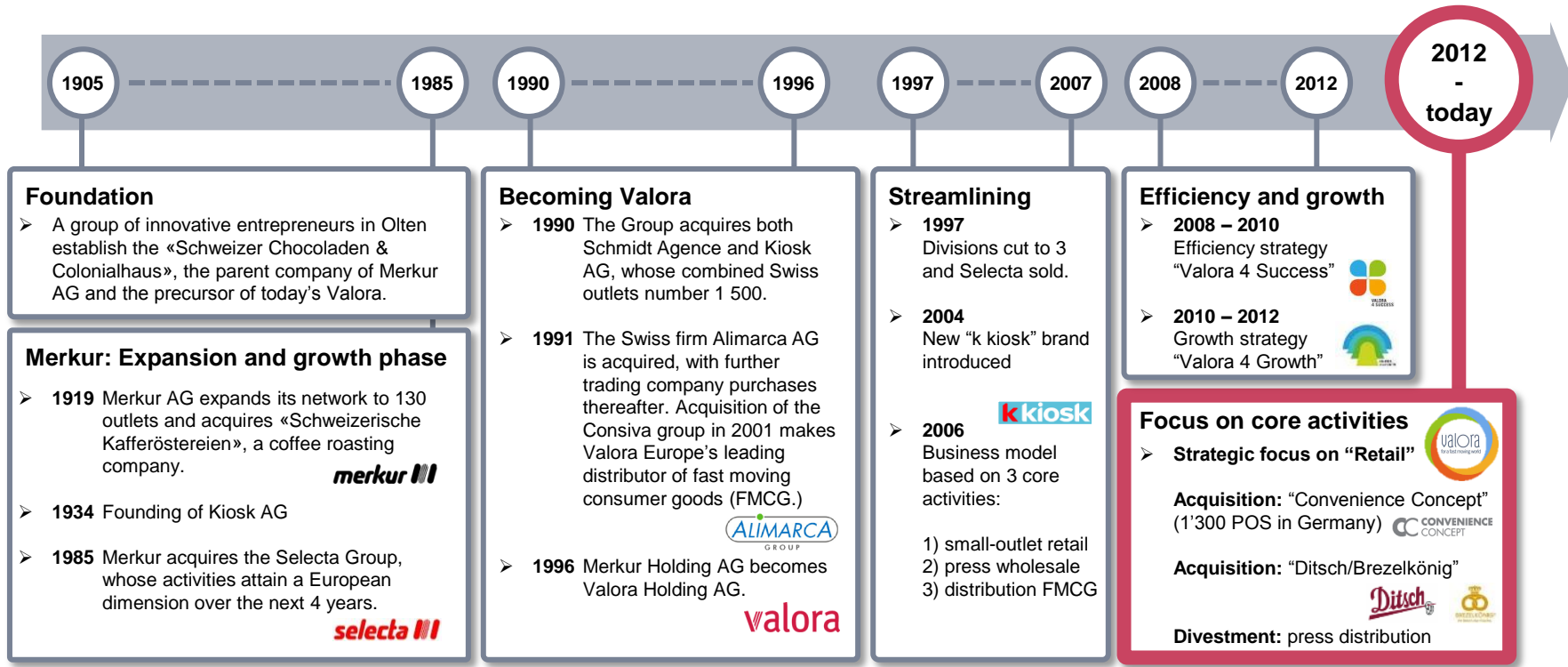
Remo Gazzi

3

Q & A

# Valora – past and present

Changeful history starting more than hundred years ago



# Core business with attractive portfolio of store formats

## Overview Valora businesses

# valora

Small-outlet retailer  
operating at heavily  
frequented sites

## Core business: Retail & Ditsch/BK



- DE, CH, Lux and AT
- Heavily frequented sites
- 4 attractive formats
- Significant partnerships
- Attractive business models
- Expanding food, services



- Switzerland and Germany
- Major growth potential
- Specialist lye-bread baker
- Focus on snack-market niche
- Quality and freshness
- Retail/wholesale channels

## Trade



- CH, AT, DE, DK, NO, SE and FI
- FMCG and cosmetics market enabler / distributor

## Services



- CH and Lux
- Specialised logistics
- Press distributor in CH/Lux
- 3rd party logistics
- Strong market position



# Valora core business

Most important 6 formats



„Treat yourself“

Instant satisfaction



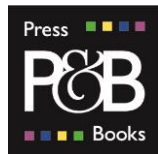
„365 days a year;  
from early till late“

Shopping enjoyment



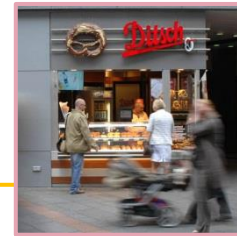
„Thought for  
the journey“

Reading enjoyment



„Caffè e  
Passione“

Coffee to enjoy



„Tradition since  
1919“

Always crispy,  
always fresh,  
always Ditsch



„In pretzel  
territory“

Constant  
freshness





# Core business doing well | Trade executing transformation



Advances achieved in core business offset adverse results at Trade



## Retail Strategic progress at Retail division

-  ➤ New product lines and modernised Swiss kiosk network offset reduced press sales and effect of implementing retail-margin model
-  ➤ Profitability stable despite need for further development of Convenience Concept network

## Ditsch/Brezelkönig Ambitious and profitable growth in line with plan

-  ➤ Network growth and expansion on track
-  ➤ Strong wholesale growth and good retail-network performance

## Trade Comprehensive transformation process

- Impairment charges to goodwill and intangible assets (CHF -17 million)
- Cosmetics achieving stable profitability
- Classics' turnaround progress varies by market, with stabilisation now foreseeable in individual territories



# Key financial metrics for H1 2014

EBITDA stable (excl. IAS 19 in 2013)

in CHF million and  $\Delta$  versus 2013 from continuing operations

<b>External sales</b>	<b>1 541.4</b>	→	<b>-3.4%</b>
<b>Net revenues</b>	<b>1 248.9</b>	→	<b>-4.9%</b>
<b>Gross profit</b>	<b>458.9</b>	→	<b>-0.6%</b>
<i>Gross-profit margin</i>	<i>36.7%</i>	→	<i>+1.6 pct pts</i>
<b>Operating costs, net</b>	<b>-458.4</b>	→	<b>+5.8%</b>
<b>EBITDA</b>	<b>49.4</b>	→	<b>-14.8%</b>
EBITDA margin	4.0%	→	-0.4% pct pts
<b>EBIT*</b>	<b>0.5</b>	→	<b>-98.1%</b>



## Comments

- Lower external sales/net revenues due to adoption of new distribution model and portfolio streamlining at Trade
- Increased gross profits in core business | Lower volumes at Trade impact Group results
- Ditsch/Brezelkönig and greater volume of commission-based business at Trade raised gross-profit margin
- Higher operating costs due to impairment in Trade and IAS 19 effect (2013)
- EBIT and EBITDA in line with H1 2013 after adjusting for one-off factors (impairment charges/IAS 19/other)

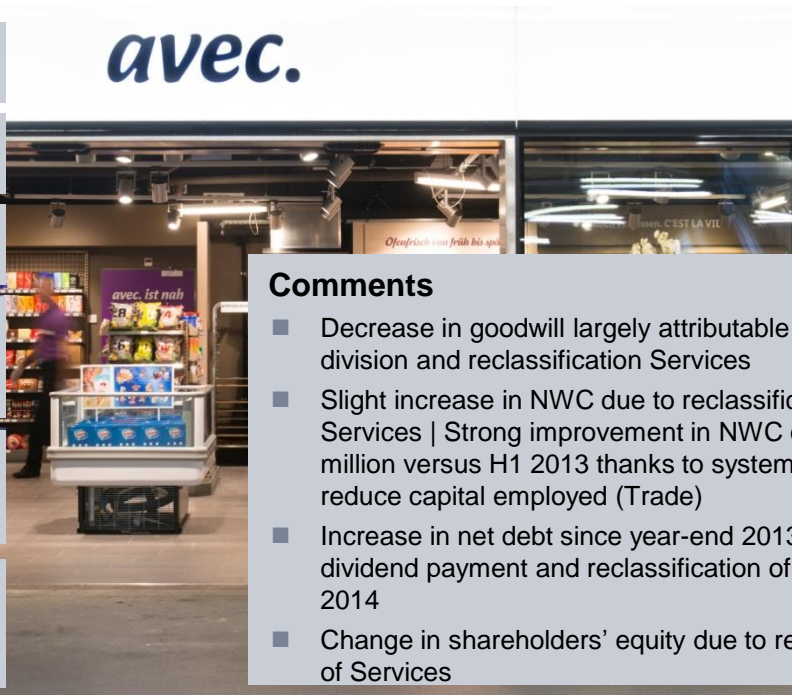
\* incl. impairment charges to Valora Trade goodwill and intangible assets of CHF -17.3 million

# Key Balance-sheet metrics

Sound balance sheet with equity cover of 42.8%

in CHF million and  
 △ versus 31.12.2013

<b>Total assets</b>	<b>1 544.3</b>	→	<b>-5.3%</b>
<b>Cash &amp; cash equivalents</b>	<b>104.7</b>	→	<b>-40.2%</b>
<b>Goodwill</b>	<b>415.9</b>	→	<b>-63.0 million</b>
<b>Net working capital</b>	<b>106.6</b>	→	<b>+2.5%</b>
<i>NWC in % net revenues</i>	<i>4.3%</i>	→	<i>+0.6 pct pts</i>
<b>Net debt</b>	<b>299.6</b>	→	<b>+80.4 million</b>
<i>Leverage ratio</i>	<i>2.1x</i>	→	<i>+0.6x</i>
<b>Shareholders' equity</b>	<b>661.5</b>	→	<b>-9.4%</b>
<i>Equity cover</i>	<i>42.8%</i>	→	<i>-1.9 pct pts</i>



## Comments

- Decrease in goodwill largely attributable to Trade division and reclassification Services
- Slight increase in NWC due to reclassification Services | Strong improvement in NWC of CHF -56 million versus H1 2013 thanks to systematic efforts to reduce capital employed (Trade)
- Increase in net debt since year-end 2013 following dividend payment and reclassification of Services in H1 2014
- Change in shareholders' equity due to reclassification of Services



# Strategic focus on Valora's core business

*Lean, agile small-outlet retailer operating at heavily frequented locations*



- **Strengthening product range** with food, beverage and service lines



- **Leveraging excellent international outlet network and strong location footfall** through successful formats



- **Building on market leadership** in lye-bread products through expansion

- **Optimising processes and raising efficiency levels** across the Group

# Examples: enhancing product lines, leveraging outlet network

Strong customer footfall and product lines provide basis for success

## Product lines



- Investment in product lines significantly raises turnover and increases customer footfall
- Resulting improvement in gross-profit margins offsets effects of structural contraction of press sales

## Outlet network

A total of 26 suppliers have agreed to participate, alongside a further 80 brand partners

Prices and offer discounts with a value of more than CHF 80 million

We are celebrating k kiosk's 80th anniversary



- Attractive partner for innovative social-commerce platform
- Playful and appealing links to the online and offline world
- Leveraging substantial, as yet untapped market potential

# Special focus on Valora Trade: market dynamics and challenges



*Increasing pressure on margins*

## Market dynamics and measures to address them

### Market consolidation and margin pressure

- Compensate by winning new business and adapting structures
- Greater focus on smaller and medium-sized brand owners
- Reduce dependence on traditional retail
- Increased transparency, more accurate profitability measurement

### Capital costs

- Enhance understanding of NWC
- Improve contract terms (inventories, payment terms)

### Parallel imports | e-commerce | private-label brands

- Focus on euro pricing and supply-chain efficiency
- Product and packaging innovations, pricing policies
- Position Valora Trade as an e-commerce supplier

## Internal challenges and measures to address them

### Portfolio

- Consequent tracking of complexity
- Focus on balanced portfolio structure in order to avoid bulk risks

### Brand owners

- Further reduction of brand owners with insufficient profitability
- Systematic category approach and focus on category deepness as objective
- Increase focus on brand owners which enable the exploration of alternative trade channels

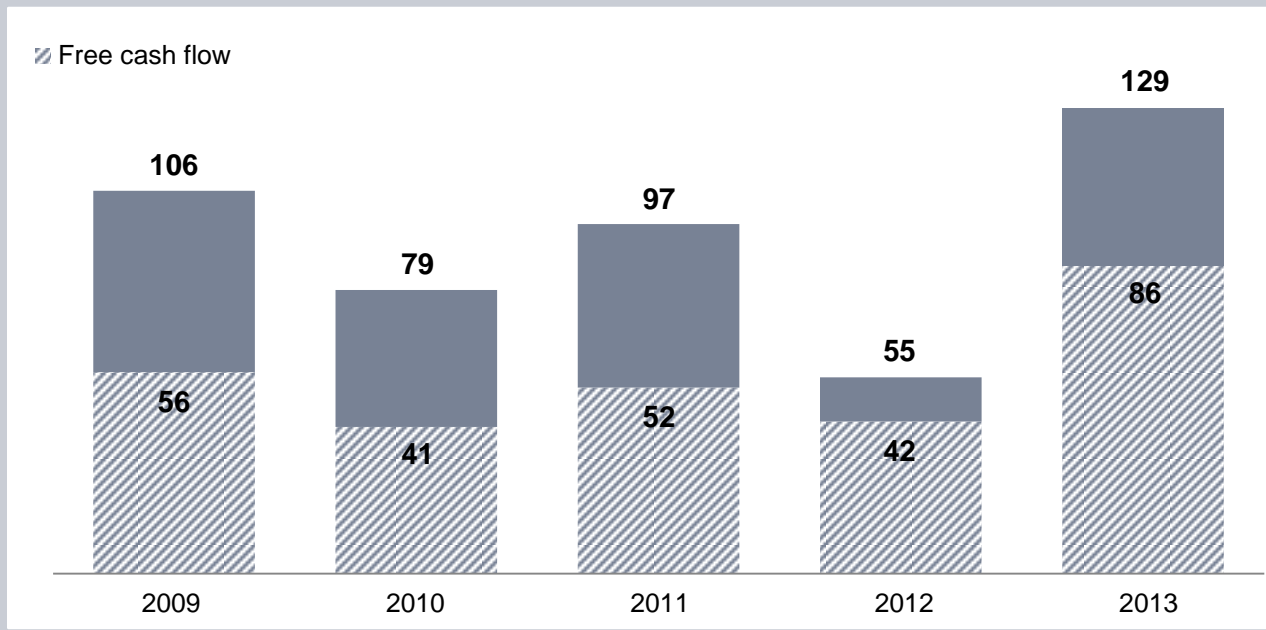
### Processes

- Optimize effectiveness of IT platforms
- Improve efficiency in «route-to-market»
- Share of best practice (market oriented / back office)

# Cash flow development 2009 to 2013

*Sound historical cash generation*

## Overview cash flow from operations and free cash flow



## Comments

- Sound historical cash flow generation
- Significant improvement in 2013 due to better business performance and optimizations in net working capital (NWC)
- Strong free cash flow generation despite substantial investment programme throughout the group

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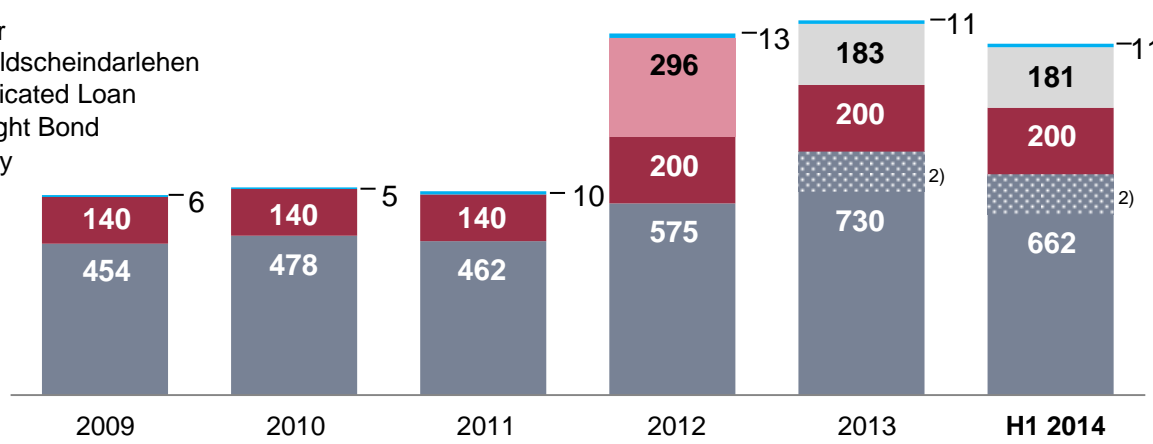
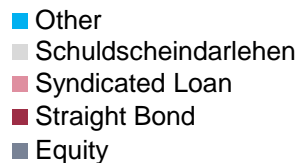
Q & A



# Capital structure

## Overview

### Capital sources and development



Liquidity	162	130	110	147	175	110 <sup>3)</sup>
EBITDA	110	125	117	152 <sup>1)</sup>	141	132 <sup>4)</sup>
<b>Leverage</b>	<b>-0.1x</b>	<b>0.1x</b>	<b>0.3x</b>	<b>2.4x</b>	<b>1.6x</b>	<b>2.1x</b>

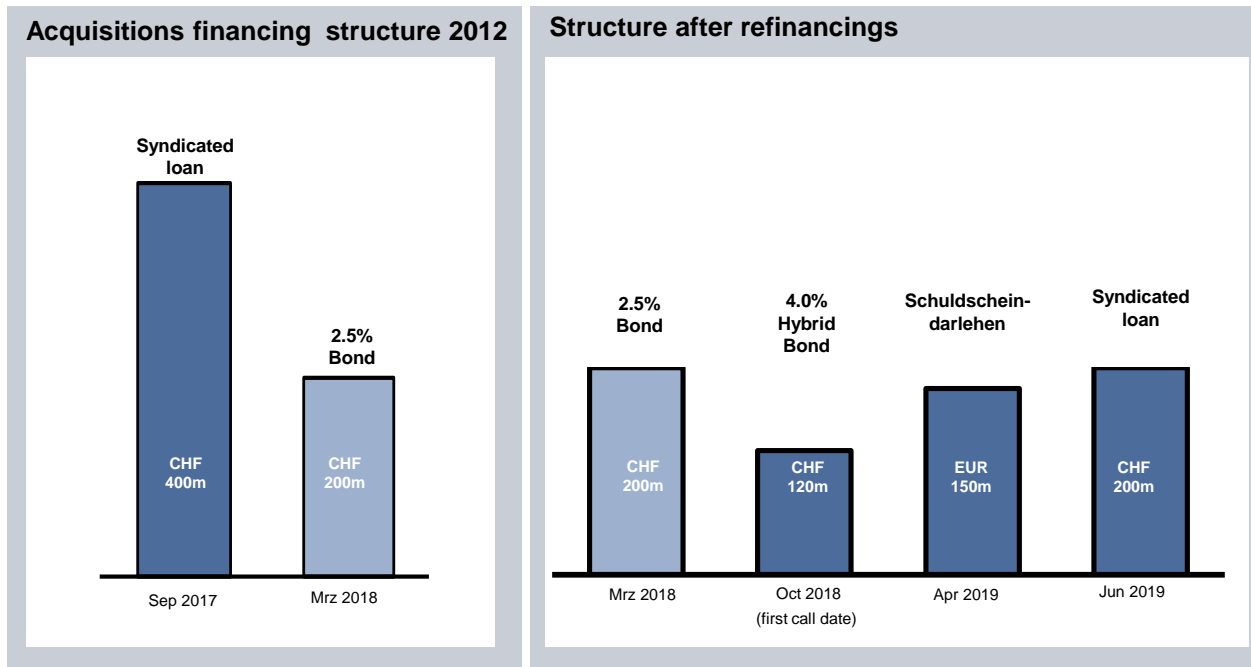
### Comments

- Balance sheet structure with healthy composition of equity and debt
- Stable equity ratio of some 40% over the cycle (H1 2014 at 42%)
- Solid position in liquidity
- Acquisitions in 2011/2012 lead to changes in capital structure and leverage
- Leverage ratio of ~2.0x EBITDA as mid- to long-term target
- Successful introduction of new financing strategy shows clear positive signs

1) annualized EBITDA of acquisitions | 2) Hybrid bond of CHF 120 million as part of equity | 3) incl. Discontinued Operations | 4) EBITDA of the last four quarters

# Debts (1/3)

## Overview instruments and maturity structure



### Comments

- Debt financings aligned until 2018/2019
- Healthy diversification of instruments, durations and investors
- Empowered issuer profile through recent successful capital market transactions
- Bank Ratings of Valora Group
  - Credit Suisse BBB-
  - UBS BBB-
  - ZKB BB+

## Debts (2/3)

*Straight Bond as core element of the financing structure*

### Straight Bond price development



ISIN	CH0149039023	Amount	CHF 200'000'000
Coupon	2.5% p.a.	Duration	02.03.12 - 02.03.18
Re-offer Price	100.176%	Market Price	104.947% (04.09.14)

### Comments

- Valora Bond History  
4.5% CHF 170 million 1999 – 2005  
2.875% CHF 140 million 2005 – 2012
- CHF bond as core element of the financing strategy
- Long-term instrument for financing general corporate purposes as well as for acquisitions
- Investment universe: retail, insurances, pension funds, banks and asset managers

# Debts (3/3)

## Hybrid Bond as «equity like» instrument

### Hybrid Bond price development



ISIN	CH0211282550	Amount	CHF 120'000'000
Coupon	4.0% p.a.	Duration	perpetual*
Re-offer Price	100.000%	Market Price	104.003% (04.09.14)

### Comments

- A perpetual «equity-like» subordinated capital market security
- Reported as 100% equity under IFRS
- Increase of financial flexibility and strengthening of the balance sheet metrics
- Indicated the first step of the refinancing (acquisition Ditsch/Brezelkönig)
- Strengthening the issuer profile
- Investment universe: retail, insurances, banks

\* first call date 30.10.2018 @ 100%

# Equity

## Overview structure and investors

Number of outstanding shares	3'435'599 à CHF 1.- nominal value
Number of shareholders	7'700
Market capitalization:	CHF ~700 million

Top shareholders	Shareholder structure	Shareholders by region						
<ul style="list-style-type: none"><li>➤ Ditsch Ernst Peter: 18.5%*</li><li>➤ Ethenea Independent: &gt; 5%</li><li>➤ Credit Suisse: &gt; 3%</li><li>➤ Norges Bank: &gt; 3%</li><li>➤ Lombard Odier: &gt; 3%</li></ul>	<ul style="list-style-type: none"><li>➤ Largest registered shareholder &gt; 5%: 24%</li><li>➤ 10 largest shareholders: 40%</li><li>➤ 100 largest shareholders: 56%</li></ul>	<table><tr><td>■ Schweiz</td></tr><tr><td>■ Deutschland</td></tr><tr><td>■ Great Britain</td></tr><tr><td>■ USA</td></tr><tr><td>■ Luxembourg</td></tr><tr><td>■ Others</td></tr></table>	■ Schweiz	■ Deutschland	■ Great Britain	■ USA	■ Luxembourg	■ Others
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■ Deutschland								
■ Great Britain								
■ USA								
■ Luxembourg								
■ Others								

\* Board member since 2013 | pre-emption right by Valora



# Summary capital structure



1

Diversified and stable financing strategy with balanced mix of instruments, investors and durations

2

Solide equity ratio of 42%

3

Flexible capital structure in order to react on strategic needs

4

Stable shareholder basis with anchor shareholder Peter Ditsch

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