

A smiling man and woman are sitting at a table in a restaurant, eating burgers. The woman is on the left, wearing a white top, and the man is on the right, wearing a dark blue shirt. They are both looking at each other and smiling. The background is a bright, modern restaurant interior with large windows and plants.

**valora**

**INVESTORS' DAY**

**ACQUISITION OF BACKWERK AND  
EXPANSION OF PRODUCTION CAPACITY**

**ZURICH, 19 SEPTEMBER 2017**

**back  
WERK**

**valora**

**WE WELCOME  
BACKWERK  
TO THE  
VALORA  
FAMILY**



# TODAY'S HIGHLIGHTS

## CREATING GERMANY'S #1 SNACK PROVIDER

Unique self-service snacking concept with strong brand recognition in Germany

One of the leading franchise platforms in Germany at diverse locations (city and rail) with cross-border prove-of-concept

Strengthening Valora's Food Service competence and capitalisation on the global trend of out-of-home food consumption

Contributing to overall margin expansion of Valora's core business



## EXPANSION OF PRODUCTION CAPACITY

Investment in US production platform to accelerate penetration of the second largest pretzel market worldwide

Pretzel production capacity expansion supported by strong market momentum in out-of-home consumption

Further strengthening of vertical integration capabilities



# AGENDA AND TODAY'S SPEAKERS

WELCOME / INTRODUCTION	F. Julen	09:00 – 09:15
FOOD SERVICE STRATEGY	M. Mueller	09:15 – 09:30
ACQUISITION OF BACKWERK	M. Mueller / K. Brauckmann	09:30 – 10:15
<i>COFFEE BREAK</i>		10:15 – 10:30
EXPANSION OF PRODUCTION CAPACITY	T. Eisele	10:30 – 10:50
FINANCING & GUIDANCE	T. Knechtle	10:50 – 11:10
Q&A	All	11:10 – 11:45
<i>LUNCH</i>		as of 11:45



**Franz Julen**  
Chairman



**Michael Mueller**  
CEO



**Tobias Knechtle**  
CFO



**Thomas Eisele**  
CEO Food Service



**Karl Brauckmann**  
CEO BackWerk

# VALORA AT A GLANCE



Clear strategy: Leading convenience and food service player

>2,800 point of sales at high frequency locations

A portfolio of strong and iconic brands and formats incl. private labels

Significant market share in German-speaking Europe

Worldwide leading pretzel manufacturer

Modern, innovative and digital

# VALORA VALUE PROPOSITION ALONG TWO PILLARS



## RETAIL

STRONG NETWORK OF 2'800 POINT OF SALES

Market leader in small retail outlets, selling convenience products through a network of standard format sales points, located at heavily frequented sites



Own brands and retail as well as financial services



## FOOD SERVICE

Market leader with focus on out-of-home food consumption offering, modern outlet networks and a broad geographical coverage



Worldwide leader in the production of pretzel products with four highly efficient production facilities and distribution



# VALORA STRATEGY

## GROWTH



Expand in existing markets and internationally

Successful formats and Ditsch B2B

## EFFICIENCY



Improve processes and platform

Focus on free cash flow and ROCE

## INNOVATION



Digital opportunities

Fresh concepts and new offerings

## PERFORMANCE CULTURE



Lean, agile organisation

Entrepreneurial focus

Focus of today

# INCREASING RELEVANCE OF FOOD SERVICE

## KEY FINANCIALS 2016

Figures in mCHF

FOOD SERVICE	GROUP**	RETAIL*	
259	External sales 2,574	2,312	Market leader in Food Service with focus on single product category shops
200	Gross Profit 870	668	Worldwide leading pretzel manufacturer with four production facilities in Germany (Ditsch), Switzerland (Brezelkönig) and the US (Pretzel Baron)
77.0%	GP Margin 41.5%	36.4%	
27	EBIT 72	60	Vertically integrated value chain for own B2C and B2B channel
10.4%	EBIT Margin 3.4%	3.3%	
20	Capex 49	25	Proven concept of Brezelkönig for the international expansion
6.9%	ROCE 8.2%	15.4%	Caffè Spettacolo as one of the leading Swiss coffee concepts with own locations and modules in Valora's convenience network
18.2% w/o goodwill			Food Service with sustainable, accretive ROCE without goodwill



\* Incl. Naville Distribution (deconsolidated in August 2016)

\*\* Including other revenues/capex for corporate



# BUY-AND-BUILD STRATEGY IN FOOD SERVICE

2000



## One of leading coffee concepts in Switzerland

- In-house development of a Italian-themed coffee-bar concept at 38 highly frequented locations
- Successful roll-out of > 650 coffee modules in 2016 in own convenience formats



2012



## Leading manufacturer and retailer of pretzels

- Build a strong out-of-home food consumption platform with the goal to expand internationally
- Exploit the vertically integrated value chain with own production facilities and B2C/B2B distribution



2017



## US-based pretzel producer

- Establish a US production footprint to rapidly penetrate the US pretzel market



2017



## Leading self-service snacking concept

- Strengthen the food service offering with broad “feel-good” assortment at rail and city locations
- Further expansion of German business and international footprint



Value creation

# AGENDA

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# LANDMARK ACQUISITION IN OUT-OF-HOME SNACKING

## Strengthening Food Service competence with a complimentary food concept

- Reinforces Valora's Food Service capabilities adding a prominent franchise snacking concept
- Accelerated expansion into attractive and growing out-of-home market
- Combination with Valora creates market leader in the German snack market

## Well-known and highly attractive franchise concept

- One of the best rated franchise platform for snacking in Germany, Austria and the Netherlands
- Asset-light and profitable franchise model
- Well-diversified, predominantly single-franchisee base
- Broad and flexible food assortment, adaptable to consumer trends
- High capture rate allows operations also of diverse locations

## Established franchise platform for international expansion

- BackWerk with additional international growth potential and an excellent platform to accelerate Brezelkönig's international expansion
- Ambition to establish BackWerk's concept in Switzerland

## A synergistic deal – providing scale, complementary of assortment and geographic presence

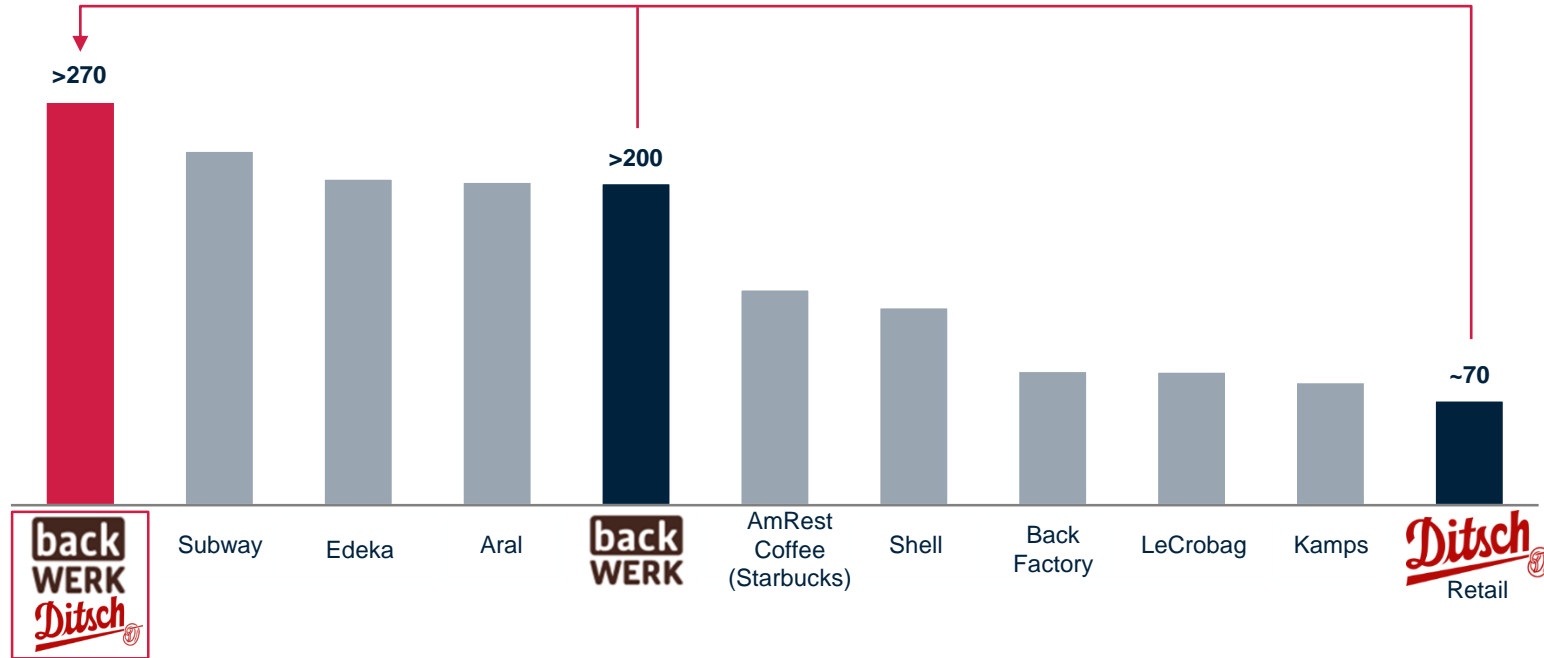
- Value creation by combined scale in platform, cross-selling and expansion
- Highly complementary geographic footprint



# CREATING THE #1 SNACK PROVIDER IN GERMANY

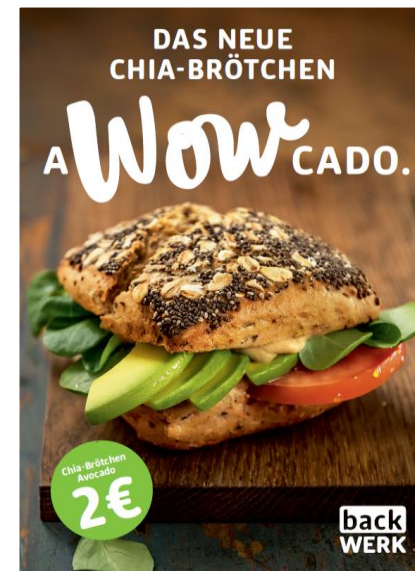
## TOP 10 SNACK PROVIDERS 2016 IN GERMANY

System revenues (in mEUR)



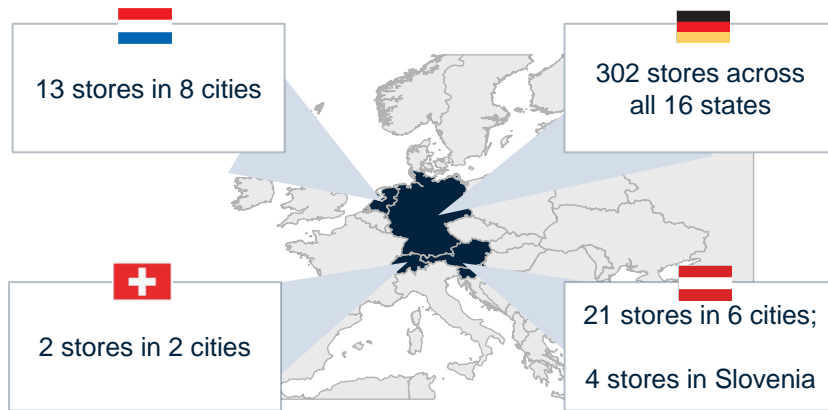
Source: Back.Business (25 July 2017), food-service Deutscher Fachverlag, Company estimates

STRUCTURE	<ul style="list-style-type: none"><li>▪ Cash acquisition of 100% BackWerk shares from Swedish financial investor EQT and other minority shareholders</li></ul>
FINANCIAL CONSIDERATIONS	<ul style="list-style-type: none"><li>▪ Enterprise value of ~190 mEUR (“cash and debt free”)</li><li>▪ ~55 mEUR in net revenues and ~26% operating EBITA margin in 2017E</li><li>▪ Acquisition 2017E EBITA multiple of ~13x (before synergies)</li><li>▪ Yearly single-digit million synergy potential</li></ul>
TIMING	<ul style="list-style-type: none"><li>▪ Subject to approval by the German Bundeskartellamt</li><li>▪ Closing expected in Q4 2017</li></ul>
TRANSACTION HIGHLIGHTS	<ul style="list-style-type: none"><li>▪ Accretive to Valora’s growth and margin profile</li><li>▪ Exclusive sales process</li><li>▪ Senior management with substantial M&amp;A track record, backed by experienced external deal team</li></ul>





# BACKWERK AT A GLANCE



342 stores

Single franchise concept

224 franchisees

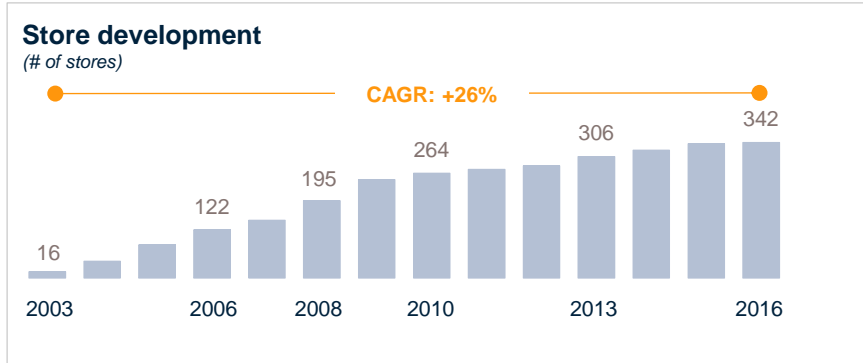
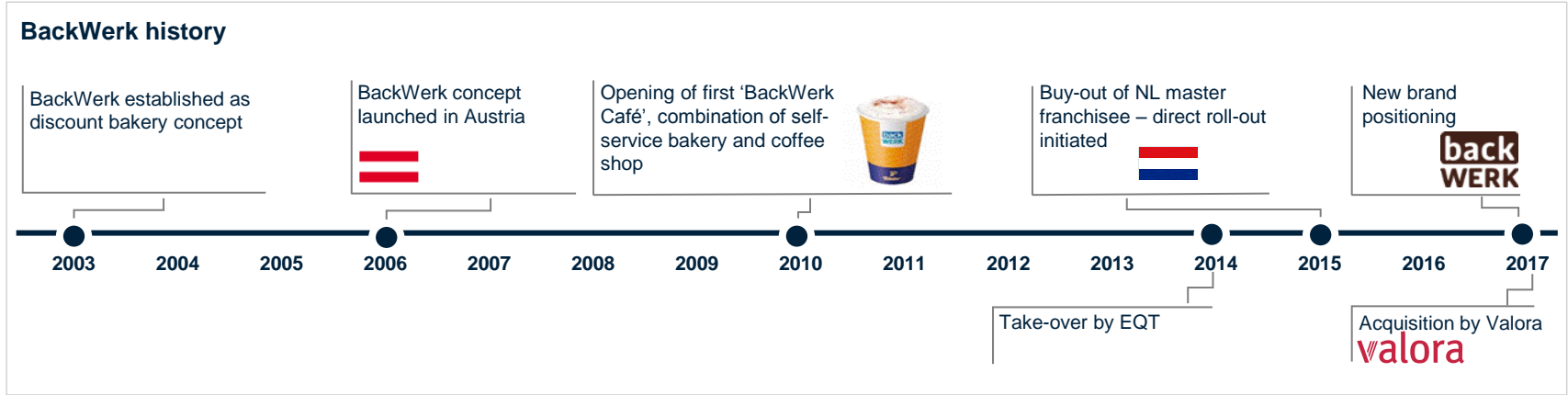
> 200 mEUR system revenues in 2016

Own training academy for franchisees

75% out-of-home revenue share

Headquarter in Essen with >100 FTEs

# KEY MILESTONES

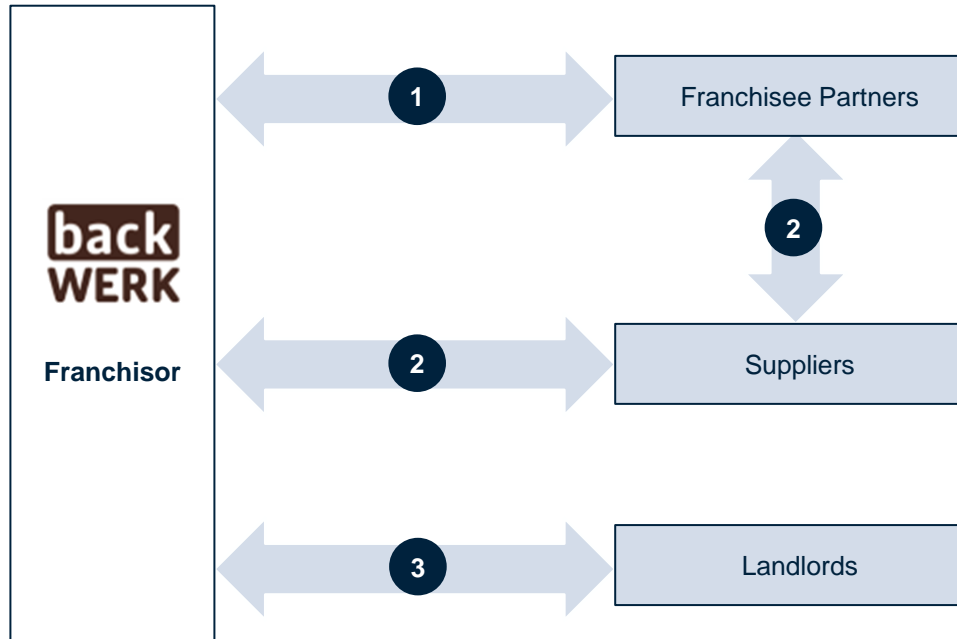


### Overview of key awards

<p>Austrian Franchisor of the year (2013)</p>	<p>German Franchisor of the year (2011)</p>	<p>F&amp;C Award in Gold (2009)</p>	<p>Öko-Test award</p>
<p>Service-Champions Self-service</p>	<p>Full membership to DFV</p>	<p>Full membership</p>	



# FRANCHISE BUSINESS MODEL OF BACKWERK



- 1** Franchise agreement:
- Investments by franchisee
  - Franchise fee paid to BackWerk

- 2** Supplier agreements:
- Delivery from supplier directly to franchisee
  - Terms agreed by BackWerk

- 3** Lease agreements:
- Lease payment charged to franchisee

# BENEFITING FROM OUT-OF-HOME MARKET TRENDS

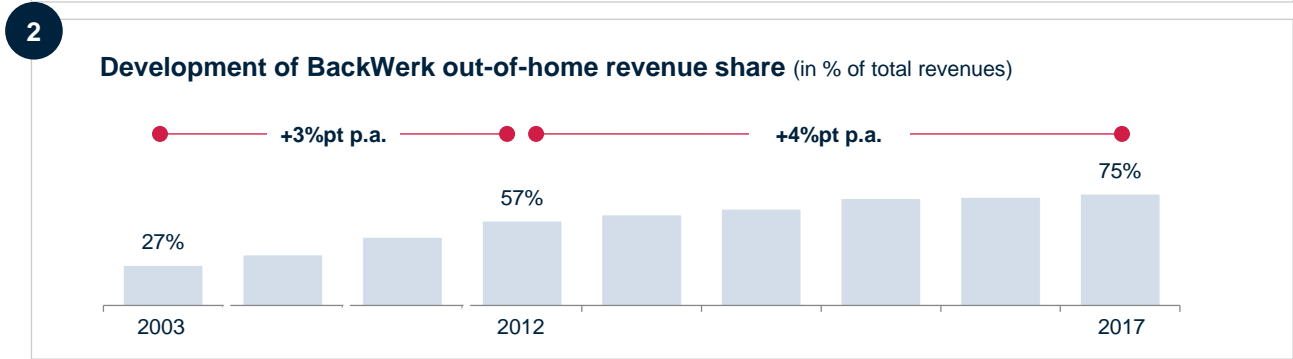
**1**

## Out-of-home market trends

<b>Key trends</b>	Consumption behavior	Fewer at-home breakfasts and more out-of-home consumption on weekends
	Single households	More single households, with significantly less meals at home across all income levels
	Increasing commuting	Work-related travel stimulates consumption at high traffic locations and at transportation hubs

**1**

Numerous reinforcing macro trends support out-of-home



**2**

Marketing focus shifted from traditional bakery offering to higher margin and more diversified convenience products

# EVOLUTION OF THE BRAND STRATEGY

Successful rebranding into a young, fresh, innovative lifestyle convenience food brand



1

BackWerk’s successful rebranding further underpins transformation into a leading quick-service, high frequency convenience player

2

Product focus was accordingly shifted away from blank buns and breads towards innovative, trendy out-of-home food

# NEW STORES DEVELOPMENT

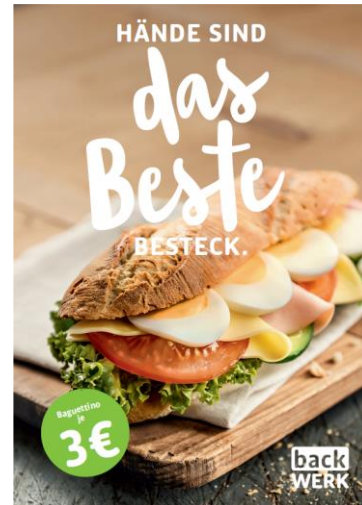


Krefeld



Gladbeck

# FEEL GOOD FOOD IN OUT-OF-HOME



# WRAP-UP AND OUTLOOK

- Landmark acquisition creating # 1 snack provider in Germany
- Continuation of Valora's successful value creating buy-and-build strategy
- Yearly single-digit million synergy potential: combined scale in platform, cross-selling and expansion
- Scalable BackWerk franchise model allows asset-light international expansion
- Current top management of BackWerk will stay on board and headquarter remains in Essen (Germany)



## RETAIL

Switzerland & Austria

kiosk

Press R&B Books

avec

Germany &  
Luxembourg

kiosk

Press R&B Books

avec

cigo

ServiceStore DB

## FOOD SERVICE

Switzerland



Germany

back  
WERK

Ditsch

USA

PRETZEL  
BARON

AT, NL, FR

back  
WERK



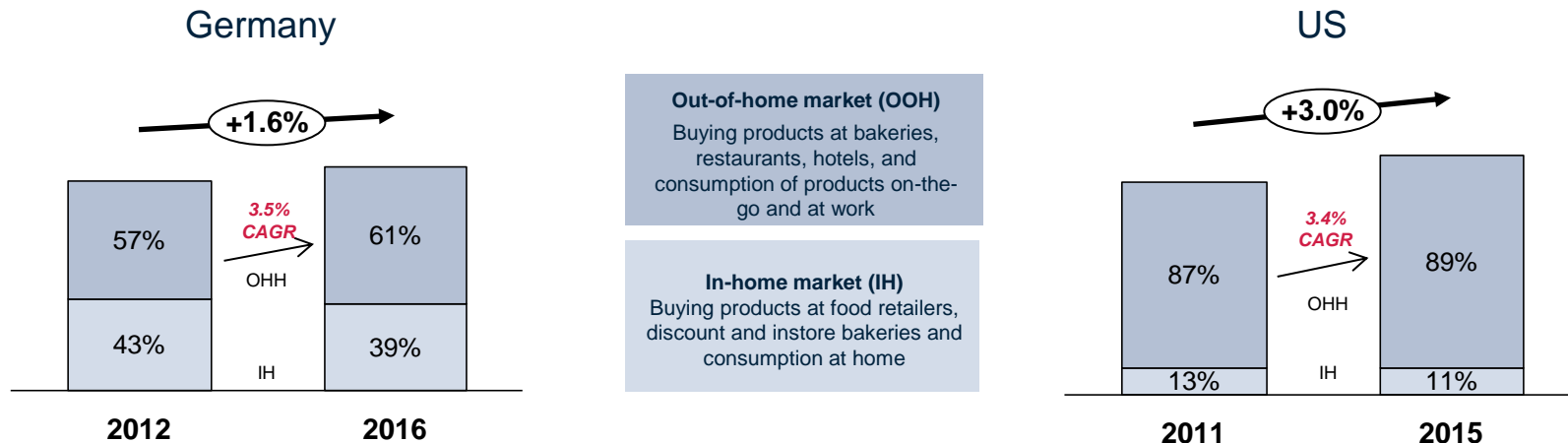
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# STRONG MOMENTUM IN OUT-OF-HOME MARKET

## PRETZEL MARKET DATA (VOLUME)



- ~ 3.5% market share of pretzel products of total bread and bakery market
- Average consumption of pretzel products per person / year: ~ 2kg

- Penetration of pretzel products in US still small (> 1%) but trends show an increasing demand especially in «traditional» pretzels
- Average consumption of pretzel products per person / year: ~ 0.5kg

Source: NPD, GfK, Technovia, Company research



# CONSUMER TRENDS DRIVE OUT-OF-HOME MARKET

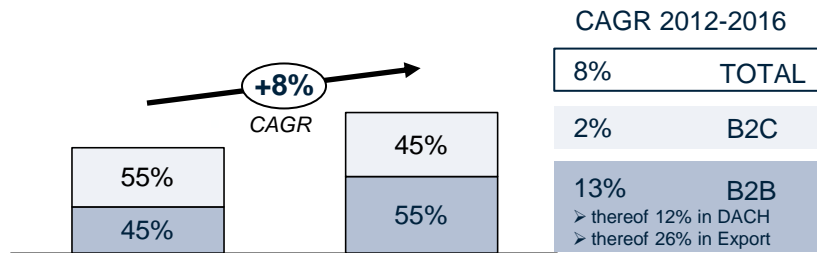


Source: NPD, GFK, Technovia , Company research

# DITSCH OUTPERFORMED MARKET IN B2B CHANNEL

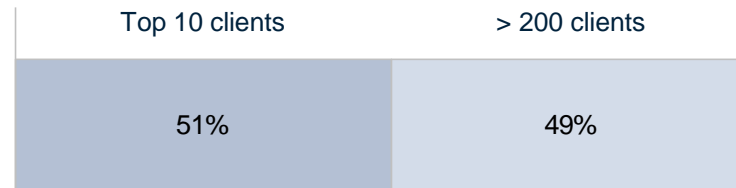
## B2B – STRONG OUTPERFORMANCE

Brezelbäckerei Ditsch (B2C & B2B), based on revenues



## RESILIENT CLIENT (B2B) PORTFOLIO

Brezelbäckerei Ditsch (B2B), based on revenues



# PRODUCTION CAPACITY EXPANSION OF ~50 mEUR

## SIGNIFICANTLY ROCE ENHANCING AFTER RAMP-UP PHASE

	Production facilities	Capacity expansion	Expected "going-live"
GER	<b>Oranienbaum, DE</b> Site area: ~ 40'000m <sup>2</sup> Production area: ~ 10'000m <sup>2</sup> In operation since 1999	<ul style="list-style-type: none"> <li>▪ New production building (with room for 2 production lines) including frozen products warehouse</li> <li>▪ One production line</li> </ul>	Q2 2019
	<b>Mainz, DE</b> Site area: ~ 10'000m <sup>2</sup> Production area: ~ 2'500m <sup>2</sup> In operation since 1990		
USA	<b>Cincinnati, USA</b> Site area: ~ 16'000m <sup>2</sup> Production area: ~ 5'000m <sup>2</sup> In operation since 2016	<ul style="list-style-type: none"> <li>▪ Capacity expansion of existing line</li> <li>▪ New production line</li> <li>▪ Enlargement of frozen products warehouse</li> </ul>	Q2 2019
CH	<b>Emmenbrücke, CH</b> Site area: ~ 7'000m <sup>2</sup> Production area: ~ 1'000m <sup>2</sup> In operation since 2000		

Source picture: Google maps

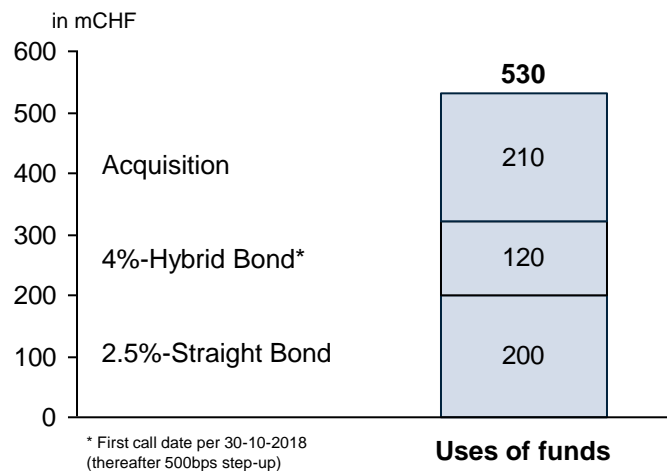
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# MAINTAIN LEVERAGE RATIO BELOW 2.5x

## ACQUISITION- AND RE-FINANCING REQUIREMENTS UNTIL YE2018

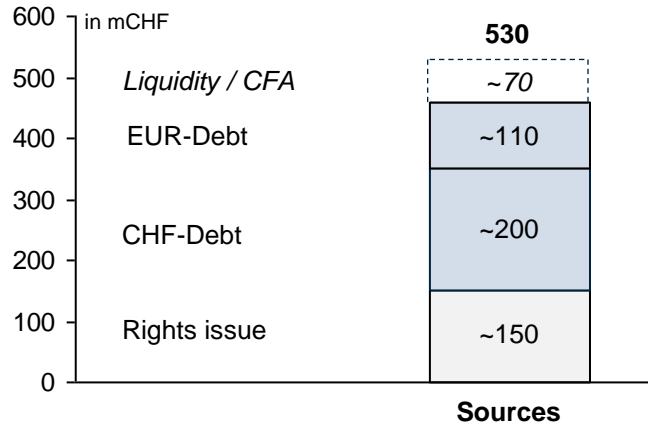


## VALORA'S FINANCING STRATEGY

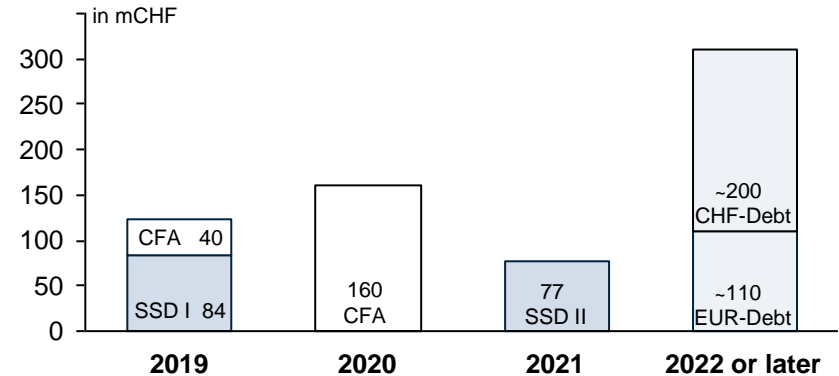
- Comply with <2.5x EBITDA leverage ratio target
  - Maintain strategic flexibility
  - Account for seasonality and NWC fluctuations
- Acquisition financing secured by undrawn syndicated loan (CFA) and cash on balance sheet
- Well diversified set of debt instruments
  - Maturities
  - Currencies
  - Investors
- Ensure natural currency hedge
- Take advantage of attractive market conditions

# FULL REFINANCING UNTIL YEAR END 2018

## NEW PLANNED FACILITIES



## DEBT MATURITY PROFILE POST TRANSACTION AND REFINANCING



- Rights issue of ~150 mCHF
  - Planned extraordinary general meeting for November 2017
  - Shareholders will receive invitation in due course

- New debt instruments planned for Q4 2017 – Q3 2018
  - New EUR-Debt instrument on ~110 mCHF, potentially bonded loan/«Schuldscheindarlehen»
  - New CHF-Debt instrument on ~200 mCHF, potentially conventional bond
- Liquidity reserve ensured (unused syndicated loan)



## EBIT GUIDANCE

- Confirmation of 2017 guidance of 79 mCHF +/-3 mCHF
- BackWerk EBIT contribution as of Closing (depending on timing of German Bundeskartellamt) overcompensated by related transaction costs
- Acquisition based on Valora's plan to double BackWerk's EBITA\* by 2022 at the latest  
Value drivers:
  - Store openings of 80-100 (gross)
  - L4L growth driven by average ticket size and footfall
  - Operational leverage and synergies

## IMPACT FOR SHAREHOLDERS

- Acquisition of BackWerk is a strategically important step for Valora with highly attractive financials leading to margin improvement
- New positioning as # 1 snack provider in Germany increasing Food Service contribution to the Group
- Acquisition EPS accretive as from 2019\*\*

\* Amortisation depending on purchase price allocation

\*\* EPS 2017 compared to 2016 impacted by reversal to normal tax rates of 20%

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## QUESTIONS & ANSWERS

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