Lagardère
TRAVEL RETAIL

Acquisition of Paradies, a travel retail leader in North America

11 August 2015

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Acquisition of Paradies, a travel retail leader in North America

Certain statements contained in this document are forward-looking statements (including objectives and trends), which address our vision of the financial condition, results of operations, strategy, expected future business and financial performance of Lagardère SCA. These data do not represent forecasts within the meaning of European Regulation No. 809/2004.

When used in this document, words such as “anticipate”, “believe”, “estimate”, “expect”, “may”, “intend”, “predict”, “hope”, “can”, “will”, “should”, “is designed to”, “with the intent”, “potential”, “plan” and other words of similar import are intended to identify forward-looking statements. Such statements include, without limitation, projections for improvements in process and operations, revenues and operating margin growth, cash flow, performance, new products and services, current and future markets for products and services and other trend projections as well as new business opportunities.

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- legal, regulatory, financial and governmental risks related to the businesses;
- certain risks related to the media industry (including, without limitation, technological risks);
- the cyclical nature of some of the businesses.

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SUMMARY

Acquisition of Paradies, a travel retail leader in North America

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TRANSACTION OVERVIEW

Acquisition of Paradies, a travel retail leader in North America

Transaction summary	▪ **Acquisition of Paradies, an airport travel retail leader in North America** ✓ 100% of the equity of Paradies holding company, ✓ Representing c. 80% of Paradies activities in aggregate (in accordance with US regulation Paradies activities are operated in each airport with dedicated legal entities including minority partners, which represent c. 20% of the Enterprise Value of the Paradies Group) ▪ **Purchase price: $530m[1] i.e. €485m** ▪ **Creation of the second largest player in the North American airport travel retail industry**
EBITDA, synergies and implied multiple	▪ **Paradies key figures in 2015[2]**: sales of $515m, i.e. €471m, EBITDA of $62m (12% margin), i.e. €57m ▪ **Attractive synergy potential** with run rate of c. $15m[3] per annum the 4th year following the acquisition ▪ **Transaction proportional EBITDA multiple around 7.5x,** based on Fiscal Year 2016[2] estimated EBITDA, pro forma for the run rate synergies
Impact on Lagardère Group	▪ Paradies will be fully consolidated by Lagardère ▪ **Pro forma Net Debt/recurring EBITDA[4] expected to be slightly below 3x at the end of 2016**
Financing	▪ $530m underwritten acquisition bridge financing with a 2-year maturity, providing maximum flexibility and natural FX hedging ▪ Refinancing as soon as possible, depending on market conditions
Expected closing	▪ Q4 2015 subject to antitrust clearance depending on regulatory approval process
Conditions to closing	▪ Antitrust clearance and third party consents

[1] On a cash and debt free basis ,subject to final adjustment. All figures in USD are converted in euro at August the 6th 2015 exchange rate : 1.0929 USD for 1 euro
[2] Fiscal year ending on 28 June, US GAAP consolidated figures
[3] Pre-tax synergies
[4] Recurring EBITDA is defined as recurring operating profit before associates + D&A other than on acquisition-related intangible assets + Dividends received from Associates

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PROFILE OF PARADIES

Acquisition of Paradies, a travel retail leader in North America

Paradies is a **leading operator** in airport travel retail in the North American industry with operations in **more than 76 airports and €515M in sales**[1] with a portfolio of long-term concessions. Moreover, broad location portfolio provides a diversification from geography, weather and airline route patterns

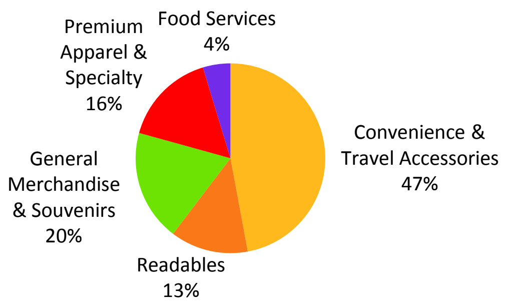
Created as a family business in 1960, Paradies is controlled by the private equity investment firm Freeman Spogli & Co (since 2010), with the Paradies family still owing a minority share

Paradies is renowned in the US for the **quality of its operations and management**, having won the industry's "Best Airport Retailer" award in 20 successive years

Paradies is a **leading operator in convenience and travel essentials**, having initiated a **strong diversification strategy** in gift & souvenirs, fashion, accessories and specialty (primarily with strong brands such as Brooks Brothers, PGA, CNBC etc.), and recently started developing its Food & Beverage business

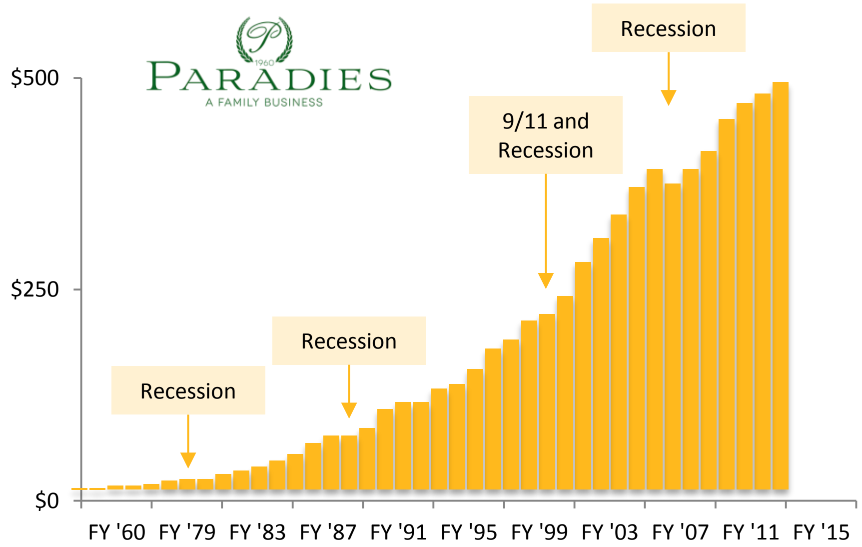
2015E Breakdown of sales by category

[in $ million – breakdown based on YTD May figures]



Historical Revenue Growth show resilience

[in $ million; end June FY]



[1] End June fiscal year, US GAAP consolidated figures

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THE NORTH AMERICAN AIRPORT TRAVEL RETAIL INDUSTRY

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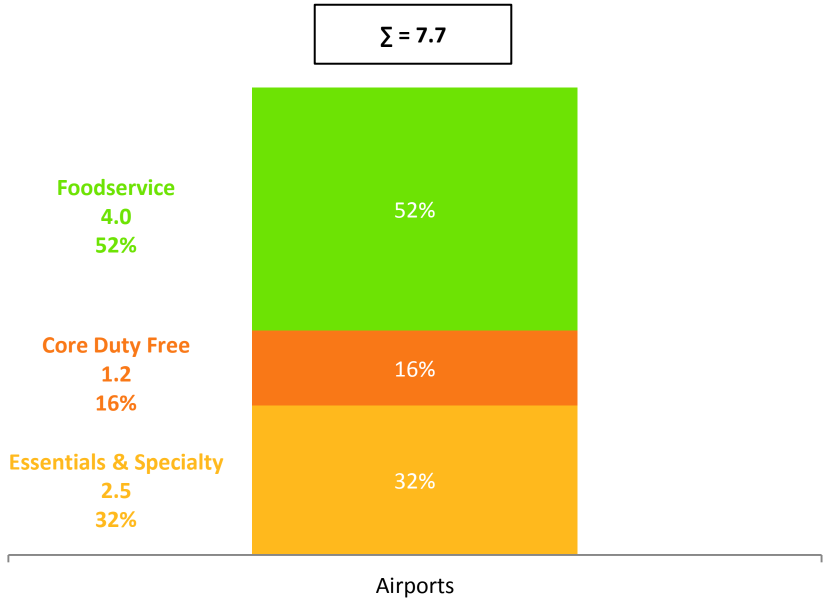
North American Travel Retail industry size

[in $ billion 2014]



Competitive landscape

	Foodservice	*Core Duty Free*	*Essentials & Specialty*
HMS HOST	v		
DUFRY		v	v
LS travel retail + PARADIES	v	v	v
DFASS		v	
DFS		v	
Delaware North	v		v
OTG Transforming the Airport Experience	v		v
SSP	v		
Areas	v		v
DFA		v	

Key market takeaways

- **A $7.7bn market with varying dynamics** across segments:
  - **Foodservice**: growing and highly fragmented market mainly driven by domestic traffic with limited on-board free food offer
  - **Core Duty Free**: more limited offer compared to other regions (EMEA, ASPAC) due to the predominance of domestic traffic
  - **Travel Essentials**: number 1 competitor is Hudson (Dufry) – Critical size is a key challenge

Source: Lagardère Travel Retail estimates, company reports, Moodies

[1] Ranking based on estimated sales

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STRATEGIC RATIONALE

Acquisition of Paradies, a travel retail leader in North America

An attractive market undergoing major redevelopments, thus creating opportunities for retailers	■ A **large and resilient market** ($7.7bn) still **relatively fragmented** ■ A **significant potential for growth**: ✓ Increasing commercial development of airports (expansion in concessions space and improvement of passengers flow) ✓ Rising spending per passengers ✓ Good traffic forecasts (+3% from 2015 to 2021 and +2% for the following decade [1])
An appealing opportunity	■ A **complementary geographical footprint** (together Lagardère Travel Retail and Paradies activities will cover most top North American airports) ■ Paradies local brands combined with Lagardère access to global brands will significantly enhance the brand portfolio and airports needs ■ The opportunity to acquire a **strong and respected pure travel retail player**: ✓ Strong renewal track record (due to reputation + landlord relationship + recognized quality of operation) ✓ Historical player with sustainable and profitable growth ✓ Large and high-quality brand portfolio ■ A deal with **strong potential synergies:** (i) central costs and buying power, estimated at $15m per year (run rate basis), and (ii) business development opportunities ■ **Paradies has a very strong and experienced management team** with diverse capabilities to drive growth and provide best-in-class solutions for its customers, being the travelers, landlords and brands.
Immediate market impact	■ The combination of Paradies and Lagardère Travel Retail would **create the #2 player** at par with Hudson/Dufry (each company would generate c. $700-800m sales in Travel Essentials/Specialty Retail)

[1] airline companies data and ACI reports

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EXPECTED SYNERGIES

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COGS[1] synergies	▪ Alignment of purchasing conditions to the extent possible ▪ Gross margin improvement from scale effect ▪ Consolidation of volumes across stores
G&A & other synergies	▪ Rationalization of central costs ▪ Combination of IT projects
Total quantifies synergies	**$15m[2] run rate**
Additional synergy potential	▪ Business development opportunities ▪ Sales and marketing firepower alignment ▪ Process and systems improvements by integration of best practices and combined experiences ▪ International development of owned and franchise brands

Full potential of recurring synergy expected to be reached in 2019

[1] Cost Of Goods Sold
[2] Pre tax

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COMBINED PROFILES

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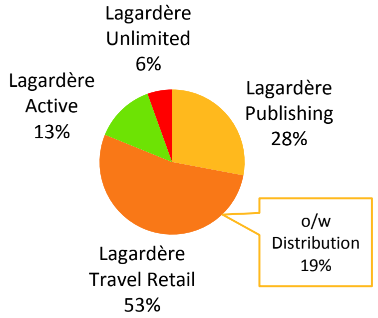
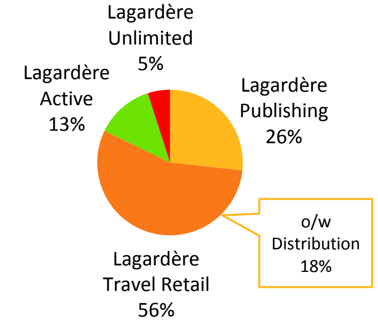
Lagardère | Lagardère / Paradies

Sales breakdown by division

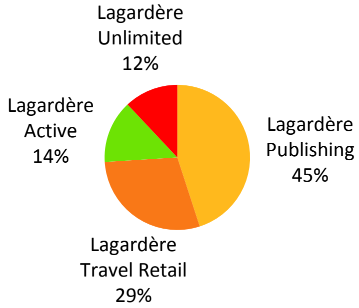


Sales 2014 = €7,170m

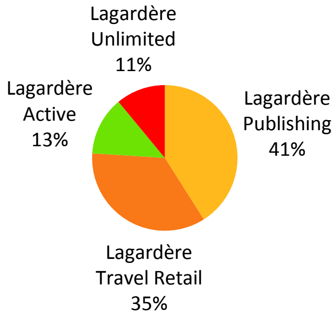


Sales 2014 = €7,629m

EBITDA breakdown by division



EBITDA 2014 = €533m[1]



EBITDA 2014 = €582m[1]

Source: Lagardère and Lagardère Travel Retail

[1] Breakdown excluding EBITDA from other activities of -€37m)

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FINANCING AND FINANCIAL IMPACT ON LAGARDERE GROUP

Acquisition of Paradies, a travel retail leader in North America

General	▪ Acquisition in cash payable at closing ▪ $530m price on a cash free / debt free basis
Bridge loan and financing	▪ Bridge loan to be drawn down at closing for the cash payment of the transaction ▪ Refinancing as soon as possible, depending on market conditions
Impact on Lagardère Group	▪ Additional debt would bring Net Debt/recurring EBITDA ratio to slightly below 3x by 31 December 2016

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CONCLUSION

Acquisition of Paradies, a travel retail leader in North America

- **A large and resilient North American travail retail market**, still relatively fragmented and offering significant growth prospects, driven by airport commercial development initiatives and traffic growth
- The **combination** of two very well respected and highly professional experts of travel retail in both Canada and the US
- The acquisition of a **highly diversified and long-term concession portfolio** with significant momentum and pipeline of new concession tenders
- A deal with **strong potential synergies** estimated at \$15m[1] per year (run rate basis)
- **A major step in Lagardère Travel Retail development strategy**
- A deal in line with the **Lagardère Group growth strategy**

[1] Pre-tax