

June 22, 2017

Discussion materials on Lagardère Travel Retail

- London -



Agenda



- 1. An attractive travel retail market**
2. A winning positioning
3. A clear strategy to further grow in a dynamic market

Travel retail is a niche, structured around 4 stakeholders, with unique market drivers and a specific operating model



Entry
barriers



Customer knowledge

Operational constraints





Brand relationship

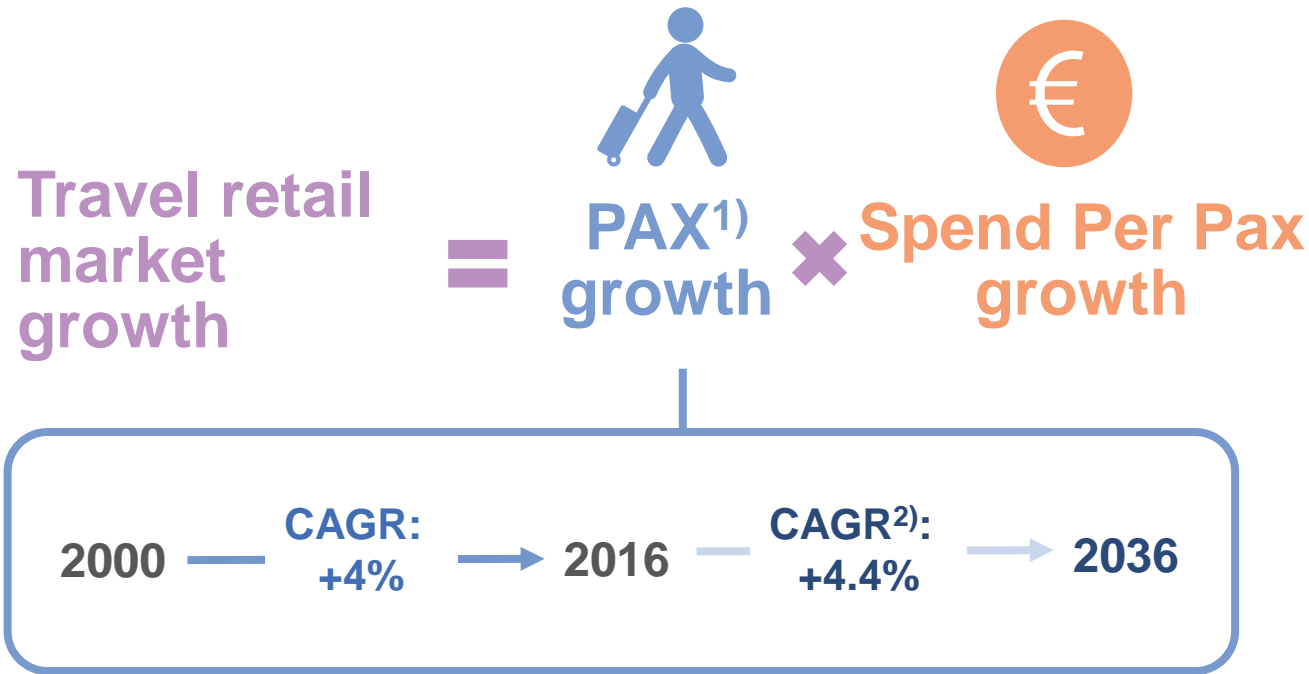


Concession contracts

Global travel retail market growth is fueled by sound drivers

Travel retail market growth =  PAX¹⁾ growth ×  Spend Per Pax growth

Global travel retail market growth is fueled by sound drivers



Despite short-term bumps, **air traffic** shows **its resilience**

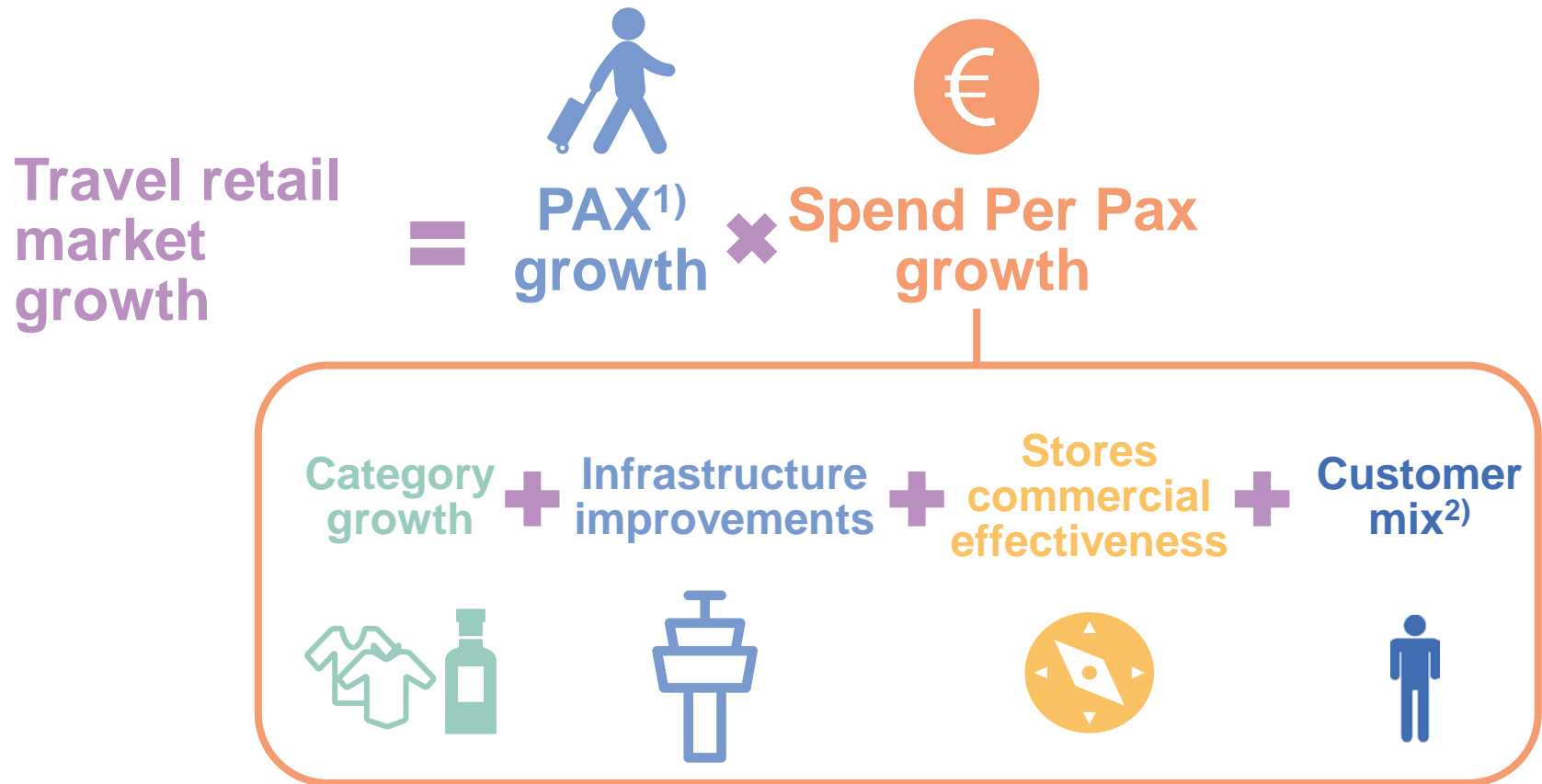


Air traffic PAX growth will remain strong in the next 20 years

1) Passenger

2) 4.4% average growth [2016-36] (source Airbus Global market forecast): North America: +2.4%, Latin America: +4.1%, Europe: +3.4%, Africa: +5.3%, Middle East: +6.7%, CIS: +3.9% and Asia Pacific: +5.6%

Global travel retail market growth is fueled by sound drivers



1) Passenger

2) Customer mix: passenger nationality, profile (legacy vs. low cost carriers) and tax regime (Duty Free vs. Duty Paid)

And outgrow the traditional retail segments

Travel retail product category growth outlooks by growth driver

High street and travel retail growth drivers



Store commercial effectiveness

Travel retail growth drivers



Customer mix¹⁾



Infrastructure improvements

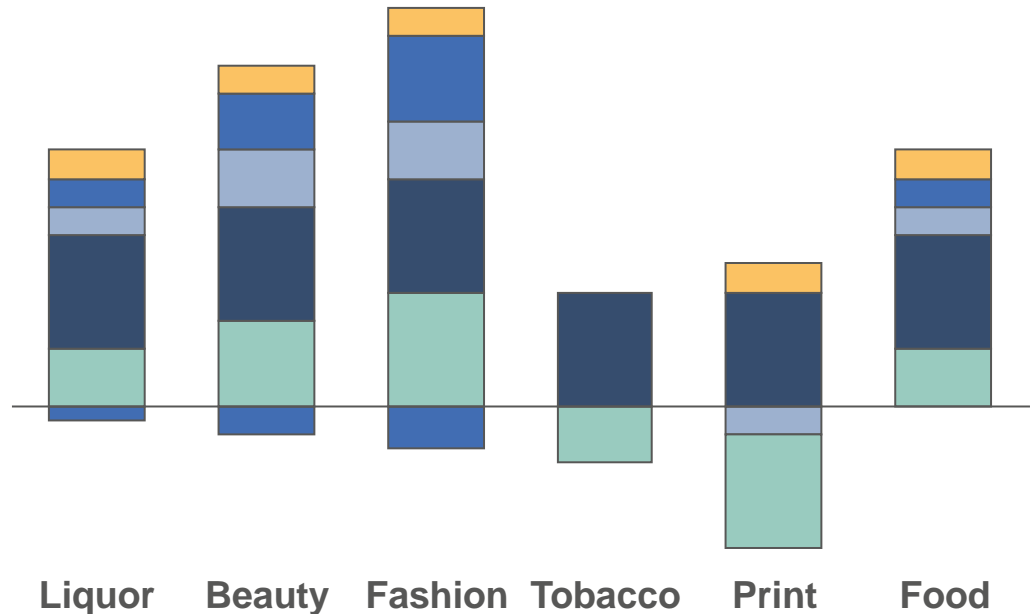


Pax growth

Global retail growth driver



Category growth



Structurally, travel retail will grow substantially faster than high street retail. We built a unique positioning to benefit from this strong growth.

¹⁾ Customer mix: passenger nationality, profile (legacy vs. low cost carriers) and tax regime (Duty Free vs. Duty Paid)

Sources: Industry experts and Lagardère Travel Retail estimates

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Lagardère Travel Retail has experienced a strong growth in the past five years...

2016

€3.6bn
proportional sales¹⁾

€209m
proportional recurring
EBITDA²⁾

32 countries

232 airports

16,000 employees

2016 vs 2011



+ €1.5bn prop. sales

x 2.5 prop. recurring EBITDA



+ 13 countries



+ 110 airports

1) Travel retail perimeter only, proportional view includes Lagardère Travel Retail share in joint ventures

2) Recurring operating EBITDA after Head Office costs

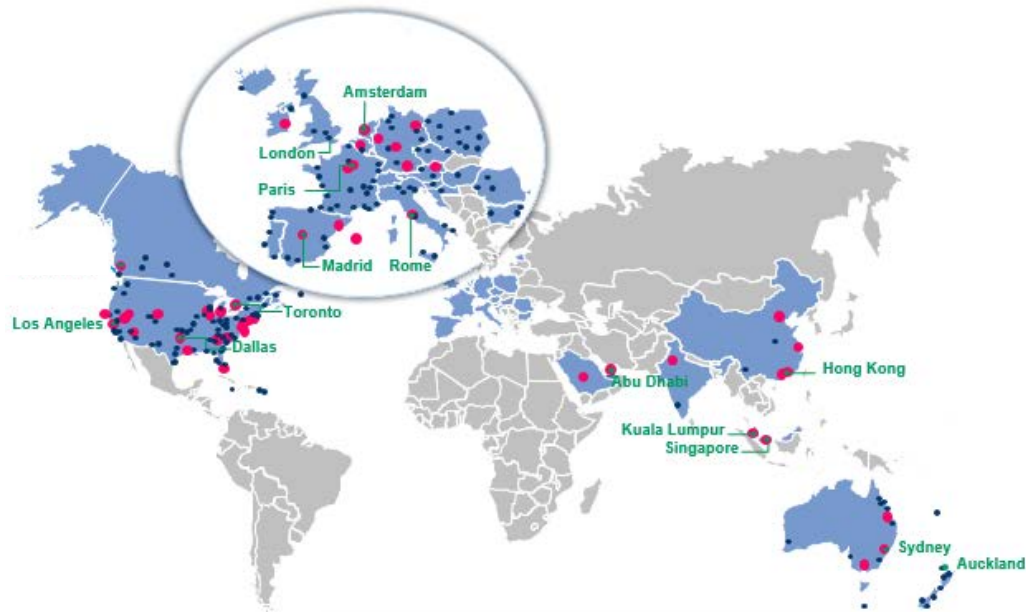
Source: Lagardère Travel Retail internal data

...Thanks to a unique and winning positioning

Unique Selling Proposition



A “glocal” organization with the right balance between local empowerment and global expertise



● Flagship airports ● Top 100 airports in terms of PAX volume ● Other airports



32 countries



232 airports



> 750 railways stations

“Glocal”
organization

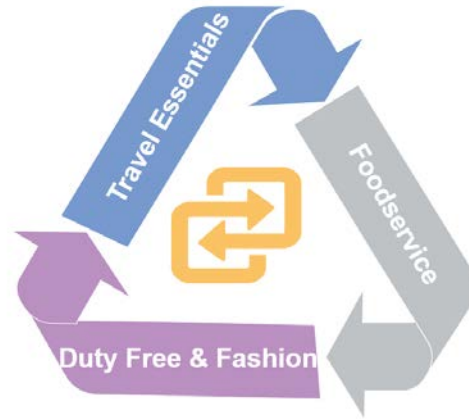


Local teams: drive local operations & landlord relationships



Global operational teams: provide expertise to countries, including through transversal initiatives (e.g. buying, marketing, TOM etc.)

A unique positioning on the three businesses creating numerous opportunities



Only travel retailer operating across the three businesses through a **wide brand portfolio** leveraging both **proprietary concepts** and **partners brands**

- ✓ Ability to **capitalize on existing landlords relationships** to operate new businesses and create **B2B synergies**
- ✓ Capacity to **drive sales up** by designing **cross-businesses promotions** and fostering **know-how synergies** from a business to another
- ✓ Implementation of **purchasing synergies across businesses** to further optimize profitability

A renowned operational excellence in and across all businesses



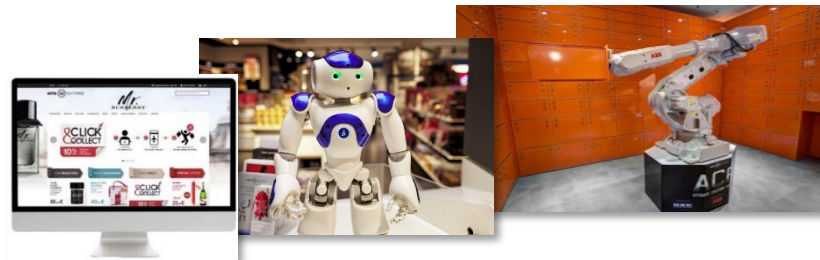
World-class tailor-made
restaurant offer for
Foodservice



Innovative and **unique** retail
concepts for Duty Free &
Fashion



Diversified offer in tune with
traveler needs for Travel
Essentials



Digital and innovative
solutions
across all businesses

We build successful JV operated with strategic partners



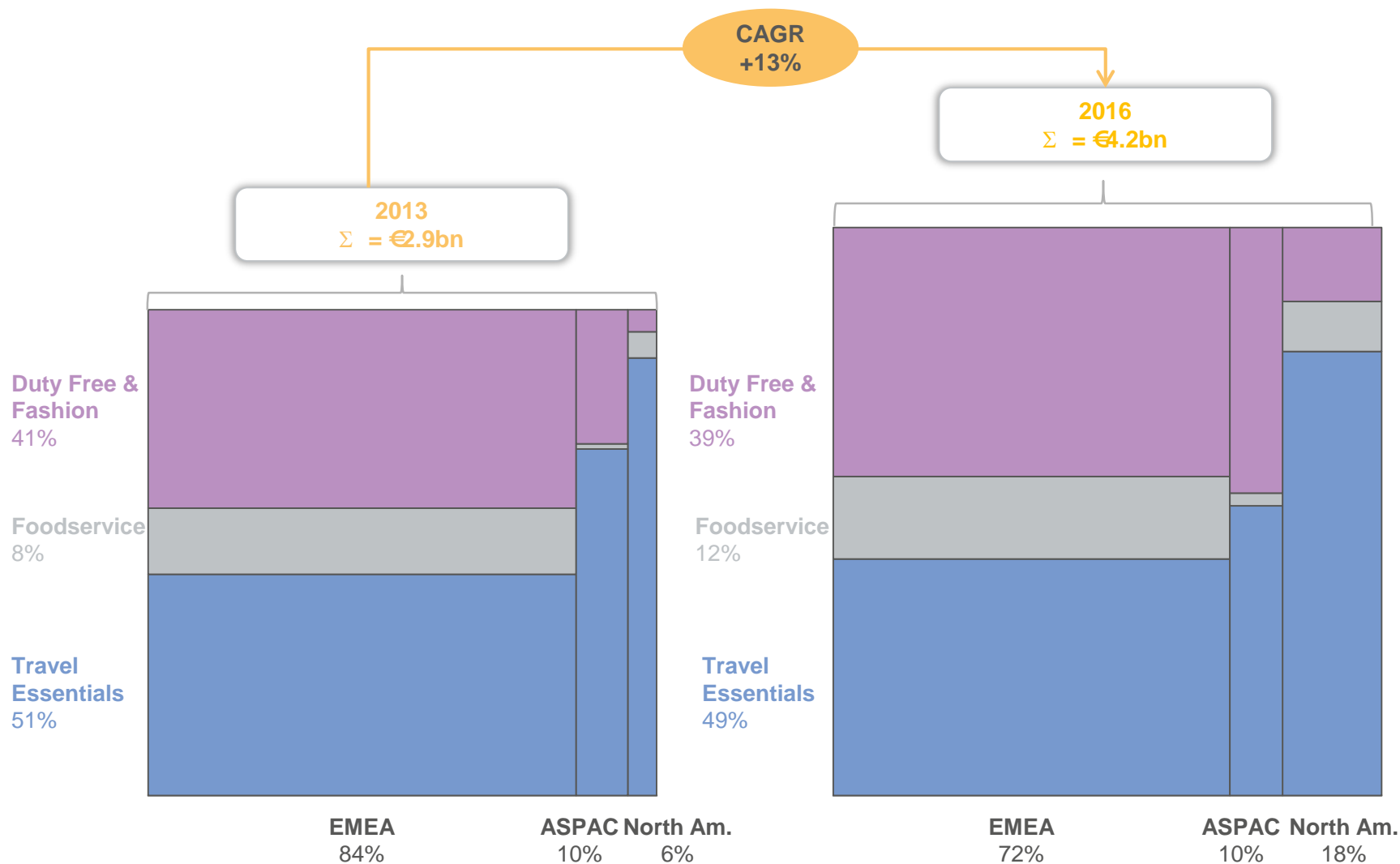
- Since 2003, **ADP and Lagardère Travel Retail** operate the **largest duty free JV in the world**. The partnership was extended in 2011 to travel essentials segment
- Gain of the tender launched by **Aéroports de Lyon** to operate the duty free business under a JV scheme
- Gain of the tender launched by **SNCF** to operate travel essentials business under a JV scheme
- **SAVE** and Lagardère Travel Retail join forces to operate the retail and foodservice activities in Venice, Treviso and Verona airports
- In 2016, **Lagardère Travel Retail, Saudi Airlines Catering** and **Arabian Ground Handling Logistic** established a JV to run duty free concessions in the 3 main international airports of **Saudi Arabia**
- In 2015, gain of duty free and foodservice contracts in **Abu Dhabi** through **Lagardère Capital**, a JV established with the local partner **Abu Dhabi Capital Group**
- In 2017, **China Duty Free Group & Lagardère Travel Retail alliance** (CDF-LAGARDERE) wins **Hong Kong International Airport** duty free liquor concession

While recognizing the **specific challenges** of such partnerships, Lagardère Travel Retail praises their **invaluable benefits**, being in strategic planning, commercial development and day-to-day operations

Our Group is **very proud of its successful JV operations**, that have been expanded and always renewed, a material proof of our **commitment to a long term and shared vision and ability to deliver the promise**

A well positioned sales mix...

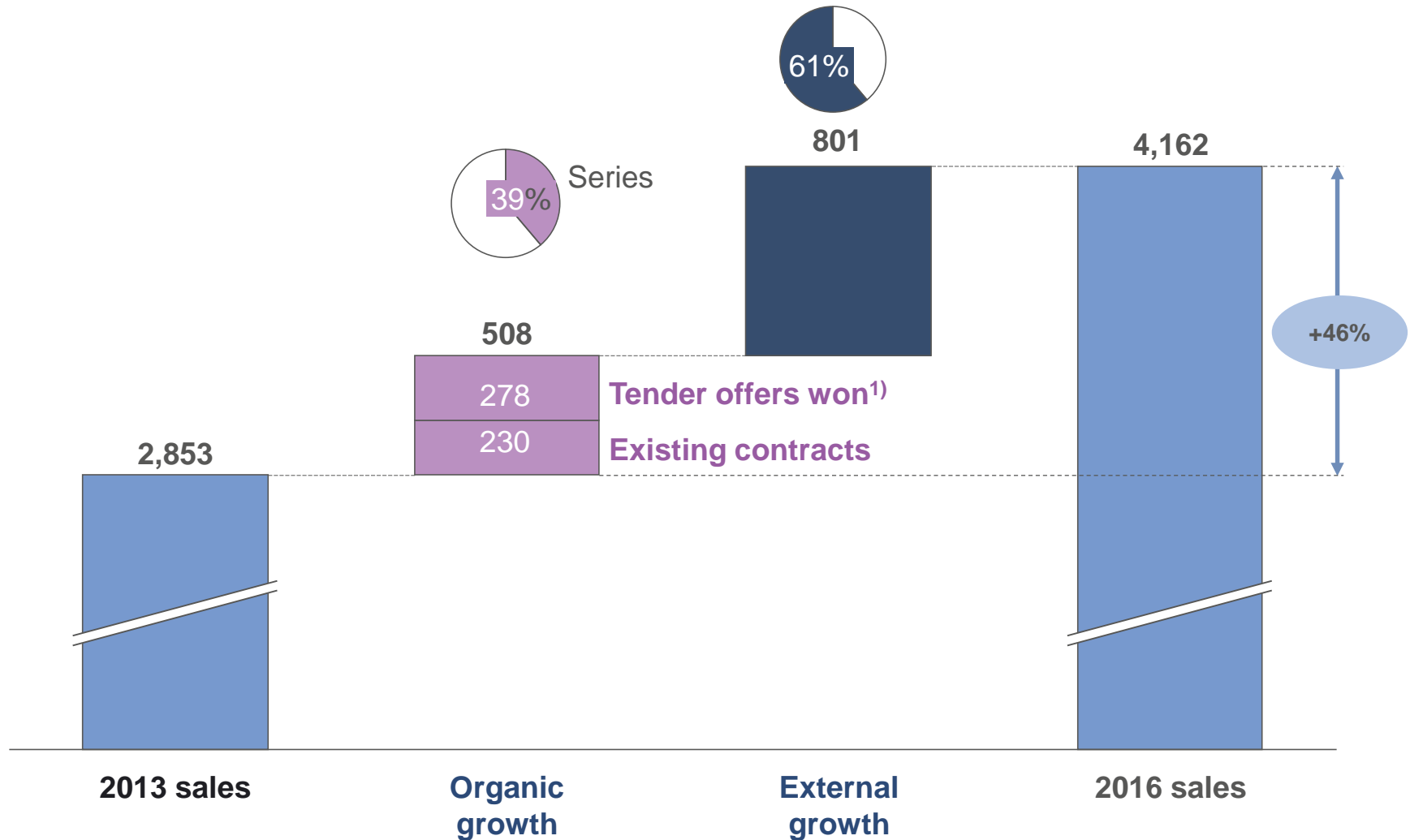
Sales evolution by BL and region between 2013 and 2016 (€m, sales @100%)



Source: Lagardère Travel Retail internal data

... And strong contribution of both organic and external growth

Bridge sales growth (€m, sales @100%, 2013-2016)

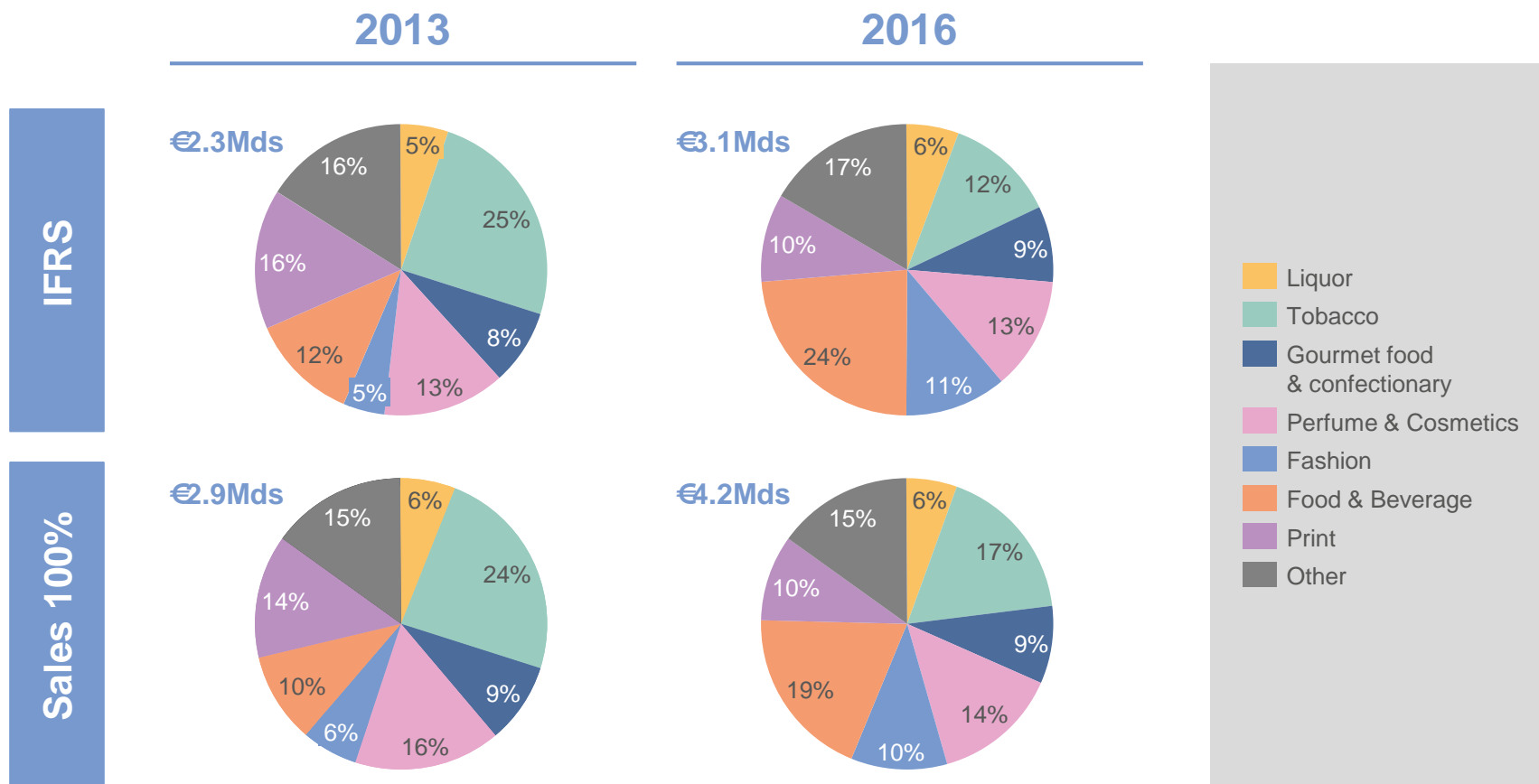


1) Net of contracts terminated over the period

Source: Lagardère Travel Retail internal data

Growth was in particular strong on high-margin categories

Breakdown sales by product : 2013 vs. 2016



1) Other mainly includes: travel accessories, gifts & souvenirs and convenience products (phone cards, lottery, ...)

Source: Lagardère Travel Retail internal data

Growth has been driven by the award of major tender offers in all three businesses...

Focus on major airport tender offers won since 2014



... and by selective M&A operations

Focus on M&A operations performed in 2014 and 2017

Paradies

- Closed in **October 2015**
- 520 PoS located in **75 airports**
- Operations in the **3 businesses**
- Annual sales: **€480m**



Coffee Fellows

- Closed in **January 2014**
- 18 PoS in **German train stations**
- Operations in **Foodservice**
- Annual sales: **€10m**



Gerzon

- Closed in **January 2014**
- 12 PoS in **Schiphol airport**
- Operations in **Fashion**
- Annual sales: **€55m**



Saveria

- Closed in **April 2015**
- 17 PoS located at **JFK T4**
- Operations in **Fashion & Conf.**
- Annual sales: **€20m**



Inflight Service activities in Poland and ferries

- Closed in **May 2017**
- 7 PoS in **airports and seaport**
- Operations in **Duty Free**
- Annual sales: **€20m**



Airest

- Closed in **April 2014**
- 200 PoS in **11 countries**
- Operations mainly in **Foodservice**
- Annual sales: **€200m**



Agenda



1. An attractive travel retail market
2. A winning positioning
3. **A clear strategy to further grow in a dynamic market**

A clear strategy, tailor-made for each business...

Overall strategy

- ✓ Maintain the growth momentum both through **sustainable organic growth** and **selective M&A opportunities**
- ✓ Further **increase profitability**, especially through **operational excellence** and **retail expertise**
- ✓ Strengthen **brand portfolio**, especially through **innovation** on concepts, products and services
- ✓ Train and motivate all **our people**
- ✓ Improve **cash generation**

Duty Free & Fashion

- Further develop **innovative and differentiated concepts**
- Accelerate **digital initiatives**

Travel Essentials

- **Innovate and invest in Relay** to maintain its leadership
- Further **diversify concepts** and **product mix**

Foodservice

- Reinforce **brand portfolio**
- Continue to deliver **unique and high quality offer**

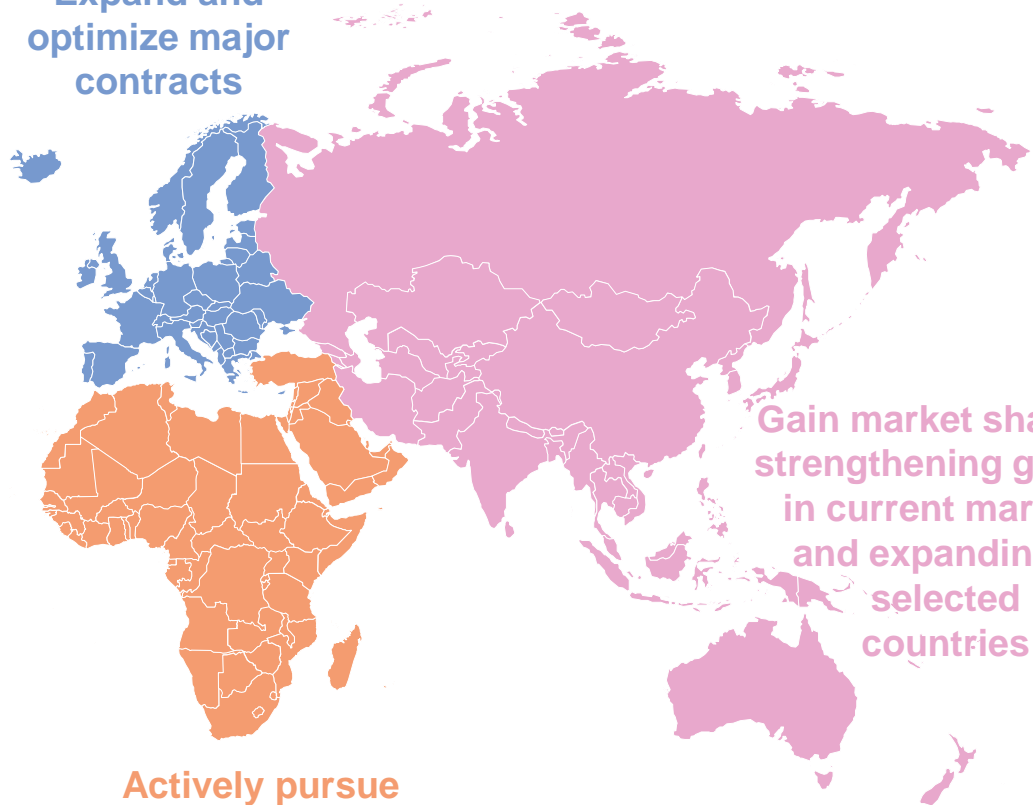
... adapted for each region...

Deliver Paradies acquisition
BP and capture further market
opportunities



Opportunistic
developments with
major airport partners

Expand and
optimize major
contracts

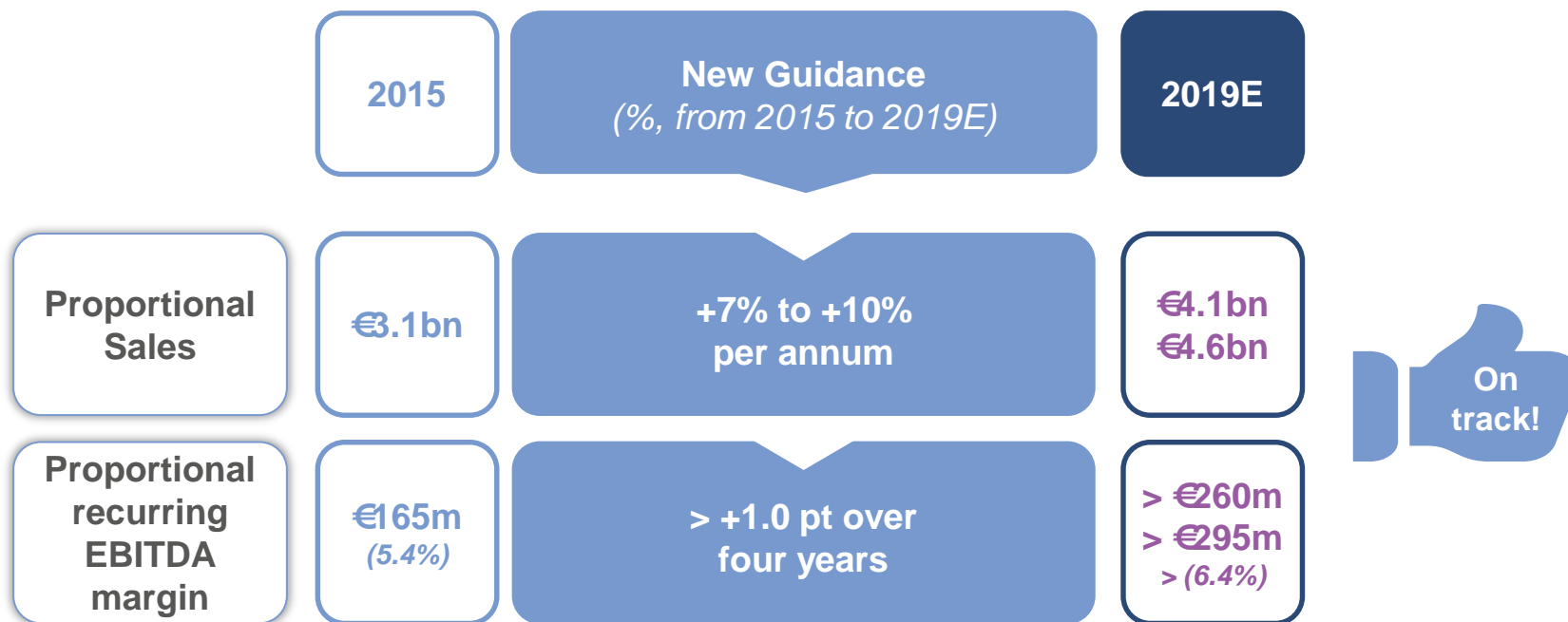


Gain market share by
strengthening growth
in current markets
and expanding in
selected
countries

Actively pursue
opportunities in selected
market and deliver
recently won contracts

... and supporting an ambitious target for 2019

2015-2019 guidance (proportional sales and recurring EBITDA)



Notes:

1) Figures based on proportional sales and proportional recurring EBITDA after Head Office costs

2) Overall guidance subject to external crisis or major economic downturn impacting travel retail market

Source: Lagardère Travel Retail internal data

Agenda



Appendices

Overview of Duty Free & Fashion business

Snapshot



39% of 2016 sales @100%



22 countries



630 PoS



Top 4 product category

- Perfume & Cosmetics
- Liquors & Tobacco
- Fashion
- Gastronomy & Confectionary

Brand portfolio

Proprietary concepts	Global	aelia DUTYFREE THE FASHION GALLERY THE FASHION PLACE EYE LOVE Casa del gusto Bottega dei Sapori AMUSE PURELY merino Premium Food Gate BUY PARIS DUTY FREE Abu Dhabi Duty Free
	Local / bespoke	
Partner brands	Global	HERMÈS PARIS BOSS VICTORIA'S SECRET K&C KENT & CURWEN 1926 LONGCHAMP PARIS NESPRESSO MAC Salvatore Ferragamo GODIVA Chocolatier INGLOT BIMBA Y LOLA Brooks Brothers
	Local / bespoke	

Overview of Foodservice business

Snapshot



12% of 2016 sales @100%



18 countries



800 PoS



82% proprietary brands

Brand portfolio

Proprietary concepts	Global	
	Local / bespoke	
Partner brands	Global	
	Local / bespoke	

Overview of Travel Essentials business

Snapshot



49% of 2016 sales @100%



25 countries



2,900 PoS



Top 4 product categories

- Food & Beverage
- Gifts, Souvenirs & Travel Accessories
- Readables
- Tobacco

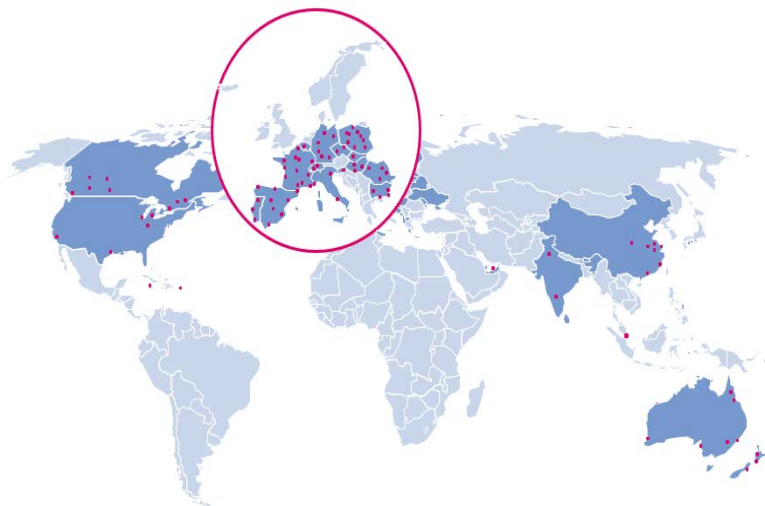
Brand portfolio

Proprietary concepts	Global	
	Local / bespoke	
Partner brands	Global	
	Local / bespoke	

We consolidate our global leadership in Travel Essentials by innovating and investing in Relay

Relay, one of the very few global travel retail brands¹⁾...

...in which we invest to maintain leadership



97

airports



550

train & metro stations



1,200 outlets across 22 countries



Over 30 years of experience

*A new
positioning
and reinforced
brand identity*



*Rely on Relay:
upgrade your journey!*

- Stay **in tune with landlords and travelers needs**
- Highlight **Relay diversified product offer**
- Further focus on **higher-margin products**



¹⁾ Data as of end 2016

Source: Lagardère Travel Retail internal data

Key features and ratios of tender offers in the airport travel retail environment

- ✓ Contracts are awarded through tender offer processes where travel retail operators answer RFPs on “packages” depending on the retail space location and / or the product line targeted

Business Line Main ratios ¹⁾	Duty Free & Fashion	Travel Essentials	Foodservice
Surface (sqm)	500 – 10,000	30 – 200	50 – 300
Capex (€/sqm)	3,000 – 5,000 (incl. brand contrib.)	1,000 – 3,000	2,000 – 5,000 (incl. kitchen)
Length (years)	5 – 10	5 – 7	7 – 10
Rent (% of sales)	15 – 45	8 – 30	10 – 35
Exclusivity	Most of the time supported by Minimum Guaranteed ²⁾		
	Rare (de facto in some cases)		

1) Ratios 90% within standard deviation from the mean

2) MG could be fixed, indexed on traffic and/or inflation, monthly or annual

We have developed an extensive know-how in successfully launching and integrating new businesses

M&A integration process



Across the years, we have built **strong PMI skills at local and global level** to **ensure the smooth integration** of newly acquired businesses and to **maximize synergies** across the Group

Greenfield business development



Iceland



Malaysia



Luxembourg



UAE



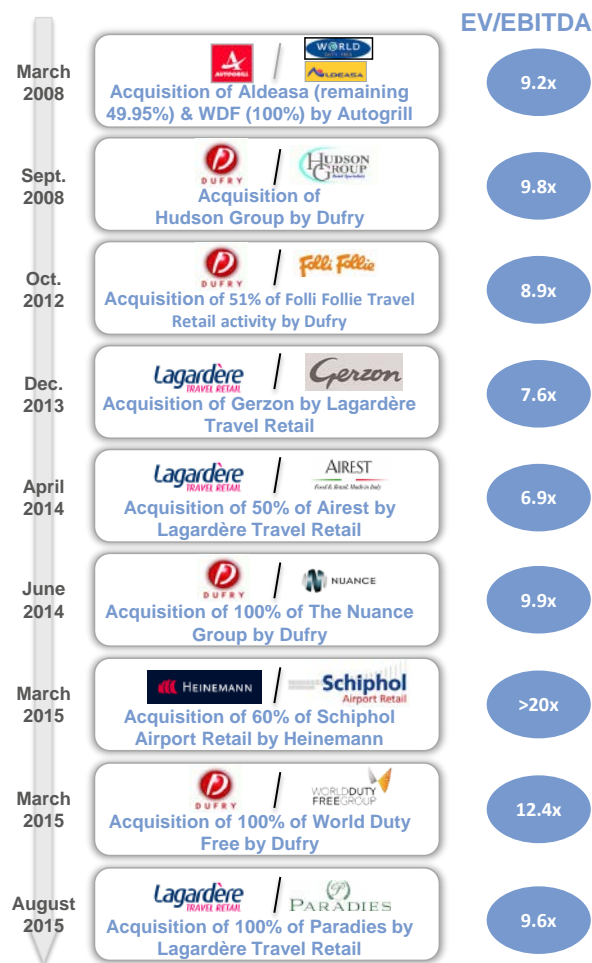
Saudi Arabia

We have successfully penetrated new markets through **greenfield tender offers**. Each time, we have maintained our strategy of a **decentralized culture relying on local teams supported by global operational teams**

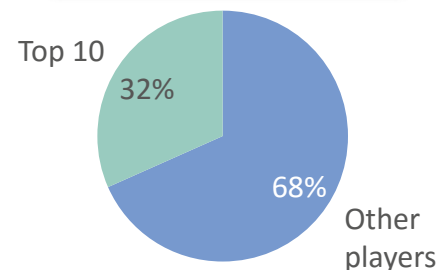
Consolidation in travel retail is gaining momentum but the market still remains highly fragmented

A strong consolidation trend...

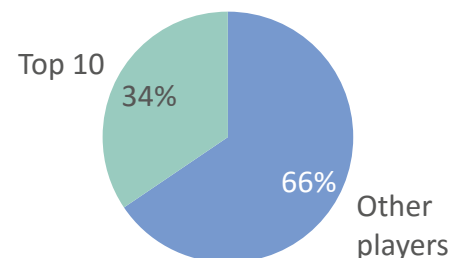
... in a yet fragmented Travel Retail market¹⁾



Total 2011 market:
€5Bn



Total 2014 market:
~€90Bn



To reach our strategic targets we have grouped our strategic initiatives under 6 major topics

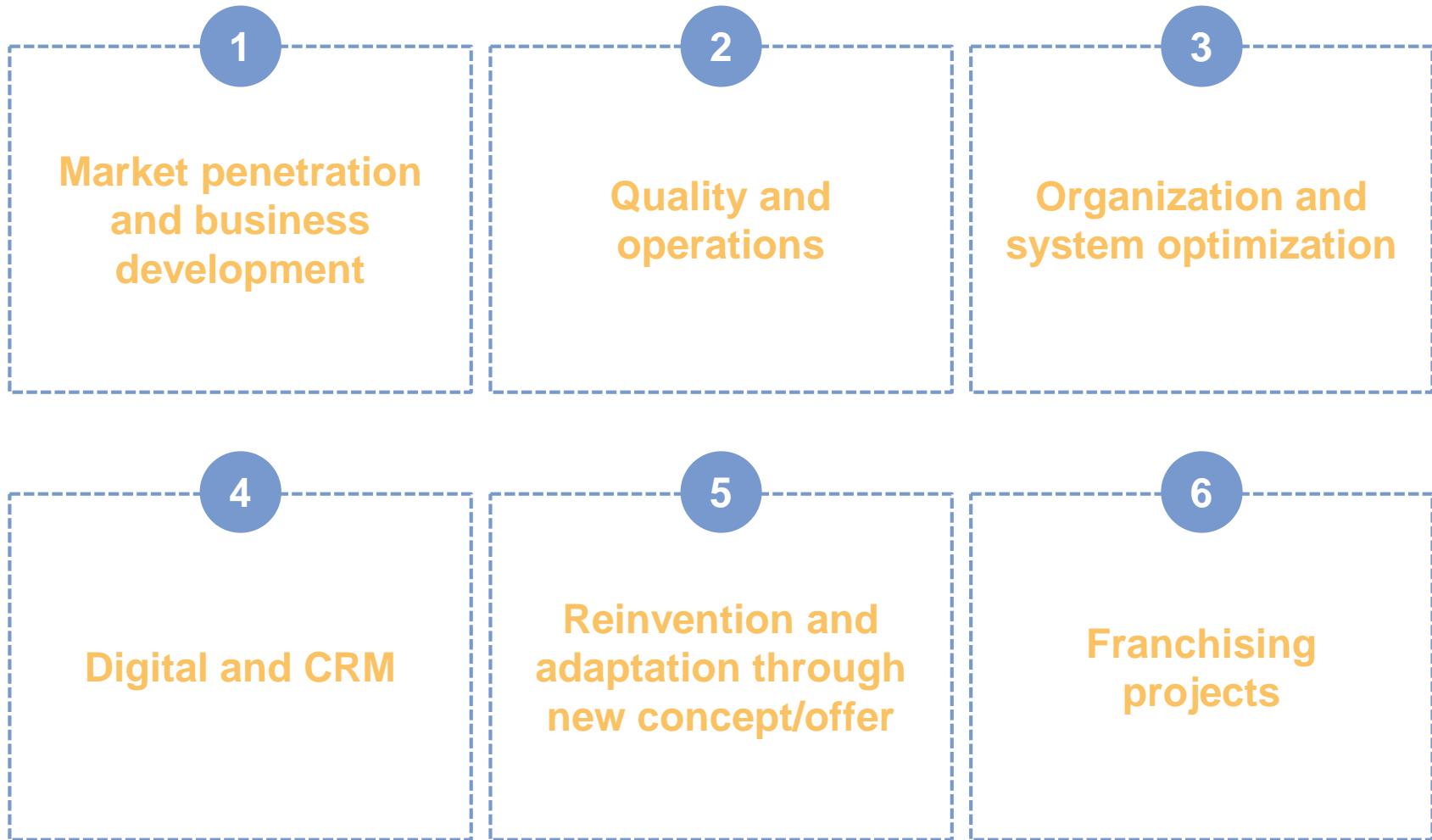


Illustration: launch of TOM project, a dedicated transversal program to enhance operational performance

Objective: collectively step up in operational performance to reach the strategic plan ambitions **with contribution from all entities and on the full spectrum of our operations** (all BL, all countries/entities, from central to local)

 Store replenishment

Offer strategy

 Range strategy

 Visual merchandising strategy

 Pricing strategy

 Promotion strategy

 In-store execution

 Workforce planning

 Customer service

 Working capital management

 Accounts payables (incl. EDI)

 Cash collection

 Store opening

 In-store food preparation



Ambition: embed TOM in the global strategic vision of each entity, with selected common battles as a Group

- > **Three Group priority processes:** Working Capital, Accounts Payable and Cash Collection to be addressed by all entities in the short term
- > **2-3 country/entity must-win battles:** short-term focus (1 year) on 2-3 priority processes chosen by each country/entity
- > **Longer term progressive convergence** on all other processes
- > **Battles to be measured and steered on improvement of commonly defined KPIs** and not on process sophistication

Know-how synergies for higher agility

?

How to sell?

Evolving store concepts



Optimized category management



Advanced selling techniques



Targeted promotions

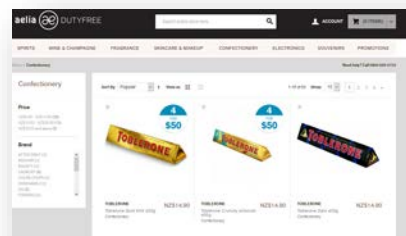


Venice airport cross promotions

Know-how synergies to find the winning digital model

E-commerce

- Web & Mobile platform
- Pre-ordering (Click & Collect)



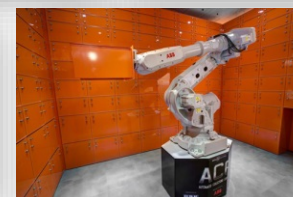
Digital experience



Social media



Beacon pilot technology for geo-located promotions

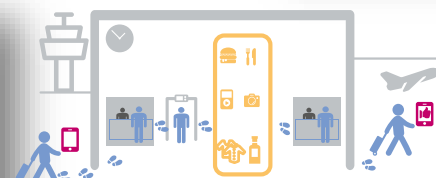


Robot assistance & in-store experience



CRM

- Personalized relationship through loyalty programs
- Customer database build-up



We deliver innovative and unique retail concepts



aeliadutyfree
Luton airport



The Fashion Gallery
Changi airport



Dylan's Candy Bar
Dallas Fort Worth airport

We consolidate our global leadership in Travel Essentials through a diversified concept portfolio



tech2go
Brisbane airport



Discover
Venice airport



Relay
Singapore Airport

We operate world-class tailor-made restaurants



Ajisen Ramen
Rome airport



Sumo Salad
Sydney airport



Lucky fish
Los Angeles Airport

Store commercial effectiveness will remain a key lever to boost SPP



Aeliadutyfree store in Rome

+26% SPP increase¹⁾

Aeliadutyfree store in Nice

+25% SPP increase²⁾



Aeliadutyfree store in Luton

+13% SPP increase³⁾



1) Jan-Feb 2017 vs Nov-Dec 2016 2) Oct-Feb 2016 vs Jun-Sep 2015

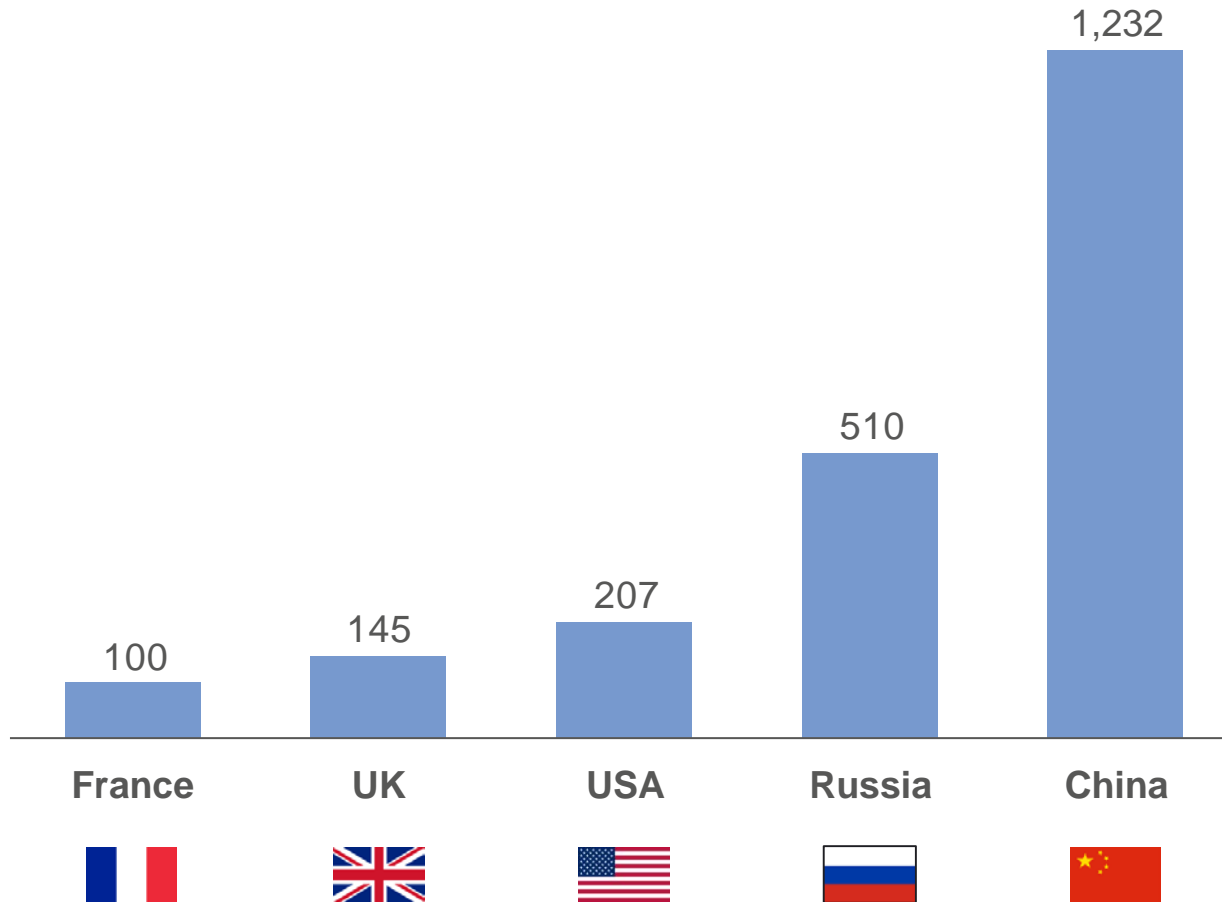
Source: Lagardère Travel Retail internal data

3) Jul-Feb 2017 vs. Apr-Jun 2016

SPP will continue to be boosted by favorable evolutions of the passengers nationality mix



SPP by destination – Analysis based on a sample of European airports
(France, base 100, 2016)



Other impacts on SPP



Currency effects



Regulation effects

*Experience
new horizons,
every day.*

Lagardère
TRAVEL RETAIL