Conference Call **1Q2016 Financial Results**

Operator: Welcome to Autogrill's first quarter 2016 financial results presentation.

Elisabetta Cugnasca - Investor Relations Manager: Good afternoon and welcome to our first quarter 2016 financial results conference call. Joining me today are Gianmario Tondato, our group CEO, and Alberto De Vecchi, our group CFO. 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 and are net of the residual US retail portion we sold to World Duty Free in February 2015, unless we say otherwise. Now, I would like to turn the call over to Alberto De Vecchi, who will take you through all the numbers. After the presentation, we will be available to take your questions. Thank you.

Alberto De Vecchi - Chief Financial Officer: Thank you, Elisabetta and good afternoon and welcome to our first quarter 2016 results. The strong performance of this quarter confirms that we are delivering on the commitments we made to our shareholders, that is to say: increasing our sales and increasing our EBITDA more in North America, optimizing our portfolio of concessions and improve profitability in Europe and expand our presence in airports in those geographies that show more medium-long term potential for growth. Sales in the quarter were up over 8%, of which 4.6% was like-for-like growth. Easter fell in the first quarter this year, while it was in the second last year. We have estimated that Easter and the additional day in February accounted for around 12 million euro equivalent of sales in the quarter, mainly in Europe. What we are extremely pleased about is an increase of over 60% in terms of EBITDA, with an EBITDA margin that improved by 130 basis points. All regions contributed to these very strong results, which I will take you through region by region shortly. Our cash-flow reflects the excellent results we have delivered in terms of EBITDA. Indeed, we have a positive net cash from operations of 5 million in a period of the year where cash generation is typically negative. The Group's capital structure remains solid and fundamentally unchanged from the end of 2015. The strong progression in profitability and cash-flow generation have resulted in lower interest charges, which amounted to 8 million, compared to 11 million in the first quarter of last year. As a consequence of the economic and financial results of the quarter, the loss of the period almost halved, from 40.4 million in the first quarter of 2015 to 23.7 million. Now let me move to the results for each region, starting, as usual, with North America, where we have continued to win new contracts and delivered solid results, strengthening our leading position in travel F&B in the area. Airport traffic continues to improve, which is good, although maximizing the capture is harder than in the past, as dwell times are tighter, due to polarization of flights and the long waiting times to clear security. Still, our like-for-like performance was up over 3% in the quarter, thanks to our commitment to serve our customers faster and more effectively. Total sales in North American airports have grown by over 6%, that is twice the like-for-like growth, thanks to new openings that exceeded closures by 3.2%. EBITDA continues to grow more than sales, thanks to a positive sales/mix and an improvement in cost-of-goods-sold. On the contrary, the focus on customer service I mentioned before, as well as the inflationary trend in wages, have resulted in a higher cost of labor. Now, moving to our international business, which has continued to grow in terms of revenues and EBITDA and still increasing in terms of EBITDA margin. Revenues grew by 46%, driven by the excellent performance in Northern Europe, where new openings accounted for around 25%, and a like-for-like performance of about 21%. In the quarter we also saw the first contribution from the Dutch railway stations we have entered last year. Our operations in the Middle East and the Far East performed strongly again, thanks to our broader footprint in Vietnam and Turkey and the strength of our Indian business. The good performance in sales resulted in a significant growth in profitability, with the EBITDA margin improving by 50 basis points, thanks to a very strong performance at Schiphol, our main airport in the region, and the openings from last year now progressively coming up to speed. We continue to expand our portfolio, since the beginning of the year, winning contracts in Abu Dhabi and Doha in the Middle East, Beijing in China and Bergen in Norway. Moving now to continental Europe, our sales in the quarter increased by 4.5%, driven by an organic growth of 3.8% and a net balance of openings and closures positive for around 0.7%. This change in perimeter reflects our expansion in European countries other than Italy and more closures than openings in Italy, where we keep our strategy of selecting points of sale to enhance cash-flow generation, instead of focusing on the size of the business overall. The sales performance in Italy was sustained by the main channel, motorways, where like-for-like sales grew by close to 5%, with F&B sales growing by 5.7%. This is thanks to a good trend of traffic, especially in the first part of the quarter. Traffic and sales in the quarter were helped by the mentioned extra day in February and the early position of Easter. We estimate the impact in Italy to be around 6 million euros of additional sales. The flow-through of incremental sales, the positive income of the processes that we have put in place in product manufacturing and delivery, and the higher flexibility provided by the new labor contracts, all together contributed to the complete reversal of EBITDA in Italy, from a negative of over 2.3 million in the first quarter 2015 to a positive of 2.7 million in this quarter. Motorways performed well also in the other European countries, with sales up over 5%, mainly thanks to France and Spain, driven by a strong traffic. Airports also performed in the region, growing over 16%, the main contributor to this growth of our sales in European airports other than Italy was our expanded presence in the Geneva airport. As you know, we are also present at the Brussels airport, which was the scene of the terrorist attacks of the 22nd of March. Due to the timing of the attacks, you do not see yet any material effect in this quarter. In the week following the attacks, and after the closing of the quarter, we have seen a growing impact, and now we are taking actions to minimize it. For the other European countries, we estimate an impact of the leap year and the early Easter of about 4 million in terms of revenues. The positive trend in sales reflected in an improvement in EBITDA, which still remains negative due to the seasonality, that is particularly strong in this region, but the temporary loss is halved to 2.5 million compared to last year. So, what have we seen since the end of the quarter? As of week 17, sales are up over 4%, with both North America and international performing well. To note that the strong performance of international is partially softened by the gradual full deployment of the new openings over the past months. In Europe we have seen growth of just under 1%, a slowdown compared to the first quarter, due in part to when Easter was this year and to the situation in Brussels. Now, we would like to give you our guidance for 2016, that we calculated based on an exchange rate of 1.1 dollar per euro. Revenues between 4.5 billion to 4.6 billion euros, compared to around 4.3 billion we delivered in 2015. EBITDA between 400 and 415 million euros, compared to 376 million in 2015, and capex remaining in line with past spend at about 5% of revenues. The guidance is based on the following assumptions: good progress in North America and international, backed by a healthy traffic growth and by a number of openings in the pipeline. Stable sales in Europe, where the like-for-like growth should balance the expected drop in Belgium and the potential change in perimeter resulting from the ongoing renewal process on Italian motorways. The range shown in our guidance on EBITDA mirrors the operating leverage resulting from the increase in revenues and the improved cost-of-goods-sold. Capex is generally the item that is most difficult to predict in the short term, given the fact that we also depend on landlords on the timing of our investment. Having said that, we think that the indication given in the guidance may provide you with a fair estimate of the engagement we may expect in the year. Thank you very much for your attention, and we will be pleased now to answer any questions you might have.

Q&A session:

Operator: Ladies and gentlemen, the Q&A session is now open. I'd like to remind you that if you want to register for your questions, please press star followed by 1. To cancel the reservation, press star followed by 2. Thank you.

1. Mr. Jaafar Mestari from JP Morgan:

Q – Jaafar Mestari: Hello, hi, good afternoon everyone, and I had just two questions, please. The first one is on the renewal on Italian motorways: and there's no news in this release, I think you said last time that you expected the *results to be announced towards the summer, and would you confirm that timing at this stage? And also, because traffic seems to be getting a little bit better, can you remind us when you submitted the bid and what sort of traffic assumptions you had at the time and are you actually looking at a better environment now? And my second question is on new business: are you showing net contract gains having 3.7% revenue in Q1? And if I take the contracts that you've announced over the past year, add them together, it looks like the backlog of new business that you have is sort of in line with that maybe 3 and a half revenue, and so I was wondering how you manage to have such a good conversion from the contract wins to the effective openings, because if I listen to peers, very often this takes several years to ramp up or maybe there are losses on top of that, but they don't seem to be opening as fast as they win, can you maybe detail a little bit what's driving that? Thank you.*

A – Alberto De Vecchi - Chief Financial Officer: I'll start answering to your last question, that is the one related to the quick conversion, and then Gianmario will take you through the renewal process in Italy. I think that, obviously I cannot compare how effective the others are compared to us, but I think that we have an advantage because some of the wins are in fact new positions in airports where we have already been, so that we know very well, we know the flows, and we can, to some extent, be very quick in revamping stores. So, I think that this is an advantage. A significant portion of this positive balance in between openings and closures is, in fact, in North America, where we have a very large footprint. So, I think that this is an advantage for us. At least this is the general understanding.

A – Gianmario Tondato - Chief Executive Officer: Talking about the Italian motorways renewals, what I can tell you is that so far… right now we are I think, just on the top of my head, in the middle of the process. So, basically we are at 50% of the process, and it's a very different process from what we have seen in the last decade, because this process involves many landlords, Atlantia is probably, roughly speaking, 40% or 50% of the network that is now for renewal, and the rest are small operators, bigger operators, I mean the Gavio Group, Brescia Padova, I mean, many names. So it's very granular and it's very different also, the bids, the RFPs are guided by the Italian Minister of Infrastructure, but they are very… they are quite different. So, it's a long process, and, as I told you many times before, that's what I can tell you, you know, of course, we have an internal view of what we're going to do but I can't, you know… I think you can appreciate, you know, that I can't tell you what we are doing right now in terms of the bidding strategy, you know, because the process is still ongoing. My guess is that by the summer we're going to know more or less everything, so the landscape will be quite solid, so we can… I think next time that we have a call we can be more precise. There are many… there is a lot of interest from some Italian competitors, you know, because the perception is that the traffic, or the economy, let's say, in a number of ways is doing better now than two years ago, and that's basically what I can tell you. And…

A – Alberto De Vecchi - Chief Financial Officer: If I can add one last comment with respect to the second part of your question, this first question, is that the situation at the moment is not that we have already submitted all the offers maybe months ago and we are waiting for the landlords to evaluate them. So, in fact, we are still submitting offers, and, obviously in this case they can reflect the new conditions also in terms of traffic. So, it is not that we took an assumption and then we presented all the offers at the same time, it is a process that is ongoing. So, we are adapting, considering the present situation.

Q – Jaafar Mestari: Okay, that's very helpful. Thank you.

2. Mr. Tim Ramskill from Credit Suisse:

Q – Tim Ramskill: Thank you. I have three questions, please. The first is: I just wondered if you could spend a bit more time going through the growth trends in the international business. Obviously very strong both in terms of the new business and the like-for-like, so maybe you can just share with us more stridently the like-for-like piece, whether that's traffic or pricing, just some sense, and maybe also, given the 40% growth rate that started the year, just some indications of how you expect that to evolve during the rest of the year? Secondly, just in terms of the guidance, and really I suppose on the back of a very strong first quarter, just to what extent you think Brussels has had some impacts of what the guidance might have been if it hadn't been for that, and maybe perhaps some discussion about what you've assumed in Europe in terms of a normalization of trends in European airports. And then the final question is just Chicago, just is there anything else to say at this stage in terms of what you're expecting in terms of the renewal process or is it still… are we still waiting? Thanks.

A – Gianmario Tondato - Chief Executive Officer: Excuse me, can you repeat the second question please?

Q – Tim Ramskill: Yes. The second question was: you had a very strong first quarter, but obviously your guidance has had to reflect the impact of the terrorist attacks in Brussels, and just some sense as to how much that's impacted your guidance, and what you're assuming in terms of trends in European airports through the rest of the year.

A – Gianmario Tondato - Chief Executive Officer: Let's talk about Brussels, you know, it's, I mean, a sad the situation, unfortunately, but it's… starting with your second question… let's talk about dates, the 22nd of March, from the 22nd of March to the 2nd of April the airport was shut down. And from the 3rd of April the airport was open but with very few flights, you know. And, from the 2nd of May the flights were almost 80% of normal traffic. But the problem is… you know, we're talking about this and we're talking about aviation, we're not really… we don't have actual information, price information on passengers, you know. And for the ones who have been though the airport, you know, it takes forever to go through security, it's highly patrolled, and it takes 3-4 hours, you know, to fly, to go through the airport. Talking about our operations in Brussels, you know, the 4th of April our first store already opened, and the 6th of April, it's just dates, but we had something like 14 stores reopen, and the 2nd of May all the stores on the landsite were partially reopened, but still we have a lot to do and there is a lot of reconstruction and the area ticket, of course, is deployed and so it's quite a complicated situation to… just trying to describe, you know, the situation right now.. so of course we see an impact that is not in our first quarter, but it's because it happened in the last few days, you know, of the first Q and it's something that we are experiencing now. What are we doing now with our people? I strongly believe… I've been personally through the 2001 September 11th attack that was much worse, but… and what we are doing is basically doing what we did at the time, so we are taking our workforce, trying to people the people, because we believe the business is going to be back hopefully very soon, because, you know, we keep these people in other channels and tried to survive, you know, to this unknown and uncertain situation. Again, that's what I can tell you. And if you want, I can tell you the numbers that we were making in 2015 in this airport: we were making something like 55 million of sales and an 8% forecast for cash-flow, you know. So, it's an important operation for us. On the other hand, I have to say, you know, for instance an airport like Schiphol is for sure… a little bit more traffic than other airports in our network are performing better because of some of the traffic that has been modeled, but this is a situation that is difficult to judge, it's a difficult situation right now, frankly speaking.

A – Alberto De Vecchi - Chief Financial Officer: So, on the contrary, answering to the question about more color about the growth in the international business, that is not generated by new contracts won, I think that in the first quarter, at least, we have continued to see a very strong performance of the main airport in the region, that is Schiphol, that has been growing in the last two years, also in terms of traffic, more than 10%, and so we are following this big, this important growth adding new concepts and developing the business together with the expansion of the airport. And then we have been particularly successful in Vietnam, where we are very strong in all the airports of the country, and the other two countries in which we have done particularly good numbers are: India, that although the base is not very big, the growth is really very important; and the last one is Turkey. In Turkey we had a very good performance in Sabina Gökçen, that is the second airport in Istanbul so far, before the building of the third very big one. And these are the main contributors to this like-for-like growth.

A – Gianmario Tondato - Chief Executive Officer: Last question, on Chicago there is no news.

Q – Tim Ramskill: Okay, fine, fair enough. Okay, thanks for your help. Thank you.

3. Ms. Rebecca McCallum from Santander:

Q – Rebecca McCallum: Yes, good afternoon everybody. I've got a couple of questions, please. Firstly, in terms of the gross margin and the, sort of, cost of sales trajectory, you've had a strong performance in the first quarter, do you think that the, sort of, dynamic set up for that improvement to continue in the sustainable future? And then my second question is about labor cost, and in particular in the US I think there is a threshold minimum wage in the industry: how are you seeing that?

A – Gianmario Tondato - Chief Executive Officer: Sorry, the line is not very good, can you repeat the question, please?

Q – Rebecca McCallum: Yes, sorry. Can you hear me now?

A – Gianmario Tondato - Chief Executive Officer: Yes.

Q – Rebecca McCallum: Yes. My first question is on the gross margin and the cost of sales: you've had a good first quarter, how do you see the outlook, vis-à-vis the favorable sales/mix etc.? Do you expect the positive, sort of, dynamic to continue going forward at the gross margin? And then secondly I was asking about labor costs in the United States and the threshold on minimum wages and what you are seeing there, please.

A – Gianmario Tondato - Chief Executive Officer: Let's start with the last one. The minimum wage pressure is something that has been growing in the business, you know, for quite a while. And it's not only minimum wages, it's also the cost of the insurance, and… so it's something that is there, and it's growing, it depends a lot on… for sure there's a general trend, you know, in the country, but it depends a lot also on airport by airport, and basically State by State the approach that you have is very different. So, it takes one day to explain to you all the different nuances, probably, that you have from California to another State, you know. It's complicated. But, generally speaking we can say that this is a trend. And…

A – Alberto De Vecchi - Chief Financial Officer: On the question about the contribution, the gross margin, I think that we have seen this good performance a bit all across the board, so we have good numbers in general, especially in North America. And in North America the determinants are the fact that, on the one hand, it's an issue of sales/mix, as we said also in other occasions, this local concept is (…) because we had to make many learning curves on the concept, but, on the other hand, it's taking the market toward an increase in the average ticket. So, ultimately, together that across margins. So, if you like, you see better gross margins and possibly a bit less productivity, because of the fact that you are managing more complicated concepts. Then, the other element that allows us to make a nice improvement in terms of the gross margin is at the moment the decline of certain raw material prices, that allows us to improve margins. So these are the two main elements.

Q – Rebecca McCallum: Thank you.

4. Mr. Stefano Lustig from Equita:

Q – Stefano Lustig: Good afternoon and congratulations for the strong results. My question is again on margins and labor cost: if I look at slide 22, we see that for the Group as a whole there has been a material positive contribution from the labor cost. So, as the main area for you is North America, and you've mentioned, which is obvious, that there was pressure there, I wonder what other elements reversed, let's say, at the Group level, the performance. And also to try to understand if there was something, let's say, occasional, or if something that can be confirmed in the following quarters. Thank you.

A – Gianmario Tondato - Chief Executive Officer: An interesting question, thank you. Let me expand on that, you know, because it looks like it's an interesting subject. North America, again, there is this trend, as I said before, you know, we are positioned, in my opinion, already in this trend, because, you know, I'll try to give you… on the top of my head I'd say we are 65-70% already unionized, it's a historical situation for us in the US. So, I think there are other companies that are in this situation of minimum wage and push on labor, you know, and they do have a much worse potential than … I imagine in their P&L than us, you know. Moving to Europe, I would like to underline one thing: we talk about always the component of the P&L, but one of the things we should look at in this quarter is, you know, that the like-for-like sales growth, for instance in a country like Italy, is around more than 4%. So I think that for… there is a strong operation-driven P&L, and this is also a very positive flow-through, so for this reason labor cost is also less expensive, let's say, in our P&L in Italy. In addition to that there is, and it's part of this situation… there is the thing that we don't talk anymore about, which is the SP1, we applied really into our organization this new model. So, you see, in my opinion, a good top line growth in the like-for-like situation in Italy and, in addition to that, also of course a better flow-through. And that's, you know, the tight cost of labor, you know, also has been deployed in Europe, so it's there is a cost control and a productivity control approach that is very strong, you know, for sure in our company I think in this quarter. Again, in one month I can say we're back to basics, you know, we're focusing really on our existing network. And that's the most important thing.

A – Alberto De Vecchi - Chief Financial Officer: And detailing your question, you asked if there is some one-off in this improvement in the labor cost, as you see in our press release, last year we had 2.8 million dollars, that is approximately 2.5 million of redundancy costs for a reorganization program that is not there anymore. That means that if you take out this impact, the improvement in labor cost I can estimate that it would have improved, instead of 80 basis points, 60 basis points.

Q – Stefano Lustig: Thank you very much. Very clear.

Operator: No questions at the moment. I'd like to remind you that if you want to register for your questions, please press star followed by 1.

5. Mr. Stefano Lustig from Equita:

Q – Stefano Lustig: No, I had another question, so, if possible. If you can comment your performance in North American airports, comparing it to traffic, if possible. So, if you perceived some sort of overperformance, underperformance versus the traffic flows, please.

A – Alberto De Vecchi - Chief Financial Officer: Unfortunately at the moment it's difficult for us to give you that comparison, because the Panel of airports that was formerly giving the indication of the overall traffic has disbanded, so at the moment there is some indication that is not an indication for the whole network, and unfortunately if you have to wait for the government data, it arrives very late. So, that's why we didn't put the information in the package, because we don't have the information as in the past so timely, in order to give you almost immediately the trend. As we said, our perception is that the situation has not changed compared to last year, or to some extent it's even worse, because of the situation of the security controls, there's been a lot of discussion on the press on the subject, with very long queues, that ultimately result in the fact that people stay less in the area where we can extract more value, that is in the air zone of an airport. So, in principle, I think that it's still a little bit more difficult to capture the traffic than in the past, that's why we are trying to enhance our ability to serve the customer very quickly, because they have less time than in the past.

Q – Stefano Lustig: Thank you very much.

Operator: No questions.

A – Elisabetta Cugnasca – Investor Relations Manager: Thank you very much for your attention and have a nice evening.

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