Analist Meeting-Presentation of Financial Results 2013

Transcription

Gianmario Tondato - Chief Executive Officer: Good afternoon everybody, welcome to our full-year 2013 results. Let me introduce a few notes, you know, the results that my colleagues are going to comment on. 2013 has been a very important year, as you know, it's a milestone for our Group, we did… we accomplished many things, probably the most important one is the demerger with the travel retail. We delivered this demerger in just nine months, it's an important achievement, and the market received this demerger very well, so we're very pleased, and it's giving an understanding of the two different strategies for the two different businesses and unleashing, really the potential of the two businesses. From an operational standpoint, we delivered our results on target, as we promised. In North America, where we saw a good comparable growth, improving EBITDA margins and on my left there is Silvano Delnegro, whom you already know, who is now here in a different role, he's the Chief Operating Officer of the United States, he's been appointed two months ago, so he's here to comment for… comment on the US results and Tom, Tom Fricke, who is our CEO for North America who is on the line. In Europe, moving on, we are getting a little bit better, little by little, you know, you saw the numbers, so the situation is improving, and in Italy, which is the main market for us in Europe, we've seen some signs of recovery. We started to roll out our new concepts, we started to roll out also our new program called SP1 that you're familiar with, we started really to get a little bit better. Last but not least there are what we call the new geographies, you know, that are led by… a division led by Walter Seib, who is not here with us today, we are developing the businesses in this division, we won 8 contracts this year for approximately 150 million euros of sales. A couple of contracts in Indonesia, Surabaya and Bali, Helsinki, Copenhagen, Abu Dhabi, and Dusseldorf are a bunch of good wins, really. In a nutshell, we are following the path of our strategies that we are applying since September. The last thing that I would like to comment on, talking about value, I'm sure that you are interested in the outcome of the Italian motorway renewal, you know, that is ongoing right now. I cannot comment on the outcome yet, because there is no outcome, the process is still going on, but there is no official outcome. What I can share with you is that we had a very focused and targeted approach, and what I can share is also what we will do when this process is over, you know, basically. And when I say "targeted approach" I mean that we were really laser-pointed and focused, and we only bid for 50% of the 40 locations that were up for renewal. And just to give you a number, you know, we were… the sales were around 200 million. So really we targeted the points of sale that we considered the best and the ones with the highest potential, really. We want to have a very targeted and focused approach. Again, in Italy it won't be just about rationalization, but it will also be about focusing the opportunities, as I said before, and also clustering the offer. We are aiming to improve our penetration on traffic in Italy and now Ezio, who is our Chief Marketing Officer, is going to walk us through this new approach for Italy. Thank you.

Ezio Balarini - Chief Marketing Officer: Thank you, Gianmario. And good afternoon. Today, I'd like to take you on the journey of renewal. I told you about it at our last meeting in Amsterdam, in September, at the investor day we had at (…). If we cannot tell you more about the renewal process and the Italian tender, that Gianmario was speaking about, I can tell you about the new concepts we are implementing and about the success we've had with the concepts we've recently been rolling out. As I said in Amsterdam, two are the pillars of our transformation process, and these two pillars will help us to announce our performances in Italy and in Europe. One is focused on the offer and on the concept, and the other is focused on our production model. The first one, the one about the offering concept, is based on clusterization, as Gianmario anticipated, of points of sale and refurbishment of Italian outlets in the first phase. Clusterization means to choose and to realize the right format in relation with traffic and with point of sale locations. This activity will also be very important because it will lead to a reduction in capex and opex at the point of sale level due to a reduction in the number of equipment due to the reduction in a number of concepts, and this will also bring advantages in terms of opex, because less concepts also means less opex related. The second pillar, as I was saying, was… is about the industrialization of our production. First let's get started with the offer and the concept. The transformation we're going through will interest about 90 stores in the next three years in Italy. We are really confident we will make it, yes, it will probably take a little bit of time, but the renewal process Gianmario was telling us about will give us the possibility to roll it out in Italy. We are also already planning to transfer those innovations in the rest of Europe. Well, we will soon start on pilots about it. Clusterization means that we identified mainly three categories of points of sale: the small ones, that are… will be and are mainly based on the A-Cafè brand, and the offer on those stores will be an offer based on coffee, and a light offer on snacks and food, with an important food retailization activity. The medium ones with an umbrella brand that will be Autogrill, mainly offer proprietary brands, with one or two, maximum, food & beverage formats per store, and food retailization. And, finally, what we call the icons, so the big ones, where clearly the umbrella brand will be Autogrill, and when we will use… and where we will use our top proprietary and third-party brands with an all-inclusive approach to service. We have a very clear strategy for each cluster of points of sale: in the small we will simplify our offer to target travelers who take a short break, while introducing some elements of comfort and food retailization. In the medium ones we will have a new and attractive format, we will speak a little bit about it later, with servicing quality while reducing operational costs, welcoming long haul customers and these stores will be adapted to the new traffic law in Italy. And finally the icons: the icons have a strategy to create a real pole of attraction and this is due… this is done to overcome the overcrowding of the Italian network, with stores that are able to attract customers from the competition, which means from the service areas that come before or that come after them. Namely those are our biggest stores. This activity will be very visible because we will renew the terms of the network in the three years but much more in terms of volumes with the refurbishment of the biggest and core stores we have. We are basing what I'm saying and what we're doing on tried and tested new stores, Villoresiest and Bistrot Milano Centrale… at the Milan central railway station are the two examples. Those two stores have been a clear success, in fact: Villoresiest sales in 2013 reached 10.3 million euros, with 1.4 million contacts for the full year, which means more than 3,800 customers per day. Bistrot, which is a much more… one, realizing 8 months of opening 2.5 million of sales with half a million customers, which means, again, more than 2,000 customers per day. Let me now focus on medium and icon stores which will profit from all the experience we made in the past months in Villoresiest and Bistrot. Again, Villoresiest and Bistrot, remember, are the two stores, and I'd like to underline it, that represent both the best for innovation and the direction we want to take in reviewing our offer.

In this slide here you have a couple of examples of how the Italian network first, and then the European one, will change. You see the slide made with renderings we used in tenders for the Italian motorways, you can see an example of clusterization of the offer. Here you see two proprietary concepts, Storie di Caffè and La Tapenade, that, by the way, is a concept that was initially developed in the US, while before we had three concepts, with the Ciao restaurant that today is the most suitable for the traffic law. In this way we'd like to simplify the offer at the point of sale level. Storie di Caffè and La Tapenade is a mix of our traditional know-how coffee and innovation with a restaurant in which not only the design, as you can see, is up-to-date, and where the food is inspired by all new tendencies and our experience with the University of Pollenzo, the University of slow food that we are… that we are having, but also where the service is completely different. No more cafeteria-style trays when you enter the restaurant, but a one-to-one service with your tray that is composed by our associates and delivered to you complete before you check out. It's a major change. In this other slide you can see another combination of concepts that allows, again, to differentiate and meet different needs. This is a new store in the Medesano West area, recently opened up and running, where you find the Spizzico formula and a new concept called Territori, again two proprietary concepts recently developed, especially for Territori, both coming from the experience and the pilot carried out in the past months. The new Territori is based on what we have done in Villoresiest and it's a confirmation, again, that the cafeteria style is over. It's based on local flavors to emphasize the quality of local ingredients, and it is also based, again, on a one-to-one style of service. In those two examples, I'll also give you a flavor about how we will change our competitiveness, with distinctive and unique concepts able to differentiate from competition. I'm sure you have not missed how much competitor stores look like ours today. New concepts will allow us to differentiate where competitors copied all our old concepts, and if today a customer may not realize sometimes that they are entering an Autogrill store, tomorrow they will see it very clearly. Again. But what about the big stores, the ones we call icons? Again, something totally new based on the experience we have made, in this case, with the Bistrot concept. I would say an encompassing, unique and distinctive identity. More important, all the innovations in food & beverage made and successfully tested in Bistrot, you will see them and they will become the core of the offer of the new big stores. Homemade bread, for instance, and pizza, and homemade pasta for Italy, but local sourcing everywhere and all the facilities and the service we have already seen in Bistrot and Villoresiest. Spaces, you see the picture, to relax, but also to work, spaces for families and for professionals. And I'm happy to say that the good news is that it works. It works and the customer satisfaction scores recorded in Villoresiest and Bistrot in this last… past year, overcome by far the average of the motorways and the rest of the railway network. And even more, those scores reached a level of excellence. So, besides the economic performances, this is the demonstration that our innovation works very well with customers and we observed the same trend in the overall score of customer satisfaction across any element of the offer and the service we surveyed. Now, after having seen the pillars of the offer renewal in Italy, let's now have a look at the other part of important innovation. The project is called SP1, I refer to the second pillar of the transformation I was talking about, the production model. SP1's raison d'être is to announce efficiency of the back-end with a new production model while keeping our very high quality standards. No bridge about quality. We will continue to control the quality of suppliers and raw materials and we will announce our quality control referring to industrial players instead of executing it only at the store level. I would say that on a much larger scale, just to give you some examples, on a much larger scale there's something similar to what much larger players, like Prêt-a-manger or Simply Food, are doing, with a (…) big production center and distribution to stores, having a product of greater quality. But, again, a little bit more in detail what SP1 is: traditionally, we are cooking our recipes and producing our sandwiches or our products in the stores, from raw materials coming from suppliers or from our distribution center. Now, we will outsource the production. The new production model is much more than a production facility, or a new production facility. It brings new suppliers with new technology, able to reach with the same quality a longer life of products adding flexibility to the whole system, a redesigned supply chain and new logistics especially designed for the products and, more important, a new organization at the store level, to transform part of the production time in service time and customer care. The advantages are very, very clear and proved by a long test phase we started six months ago in a number of stores, with significant results, both in terms of economics and in terms of customer satisfaction, we measured again through customer surveys. What SP1 delivers is an increased store cash-flow, coming from the favorable balance among a higher cost of goods versus the actual one due to the outsourced production, but a lower labor cost for in-store production activity, a lower cost coming from waste for the better possibility to be flexible and the better flexibility in general to allow to follow the customer traffic at the store level. We ran a test in seven stores in the last eight months representative of the entire Italian network and measured the impact comparing those sites with other similar ones continuing to work traditionally. The result is that the test store shows an increase in store cash-flow of 320 basis points for the actual Ciao, so the free-flow restaurant and 300 basis points for the actual Snack and A-cafè. We plan to roll it out in 2014 and material advantages will start to be seen in 2015. So, please do not expect to see those results fully reflected in 2014. Obviously all the concepts I showed you before are conceived and designed for SP1 processes and products. So, in conclusion, we have a clear plan to generate traffic and to generate new sales and traffic penetration. We will reshape, as we said in Amsterdam, our model and enhance it through innovation, keeping our objectives: sales and traffic and penetration. Two are the pillars of the transformation: a new engineering concept and a new industrial model. On both we are recording nice successes. Clearly, it won't happen overnight, but we clearly see the potential also beyond the Italian border. Thank you.

Gianmario Tondato - Chief Executive Officer: Okay, thank you, Ezio. Now Silvano for the presentation of the United States and, actually North America, sorry, and Tom Fricke is on the line just to answer to your questions, because he's not in the US but also in a remote… in a remote location, so he can't leave the presentation. Now, two points of attention, you know, two interesting points of attention in this presentation: one is the strong growth, really, that is not fully reflected in sales in North America, and the second one is the evolution of the margins during the year, that is another very interesting point.

Silvano Delnegro – Chief Operating Officer North America: Okay. Thank you, Gianmario, good afternoon. Before I start so that we are all on the same page, I have to say that all the figures I refer to in this section refer only to the food & beverage North American business, so they exclude retail that, as you know, has been sold to the World Duty Free Group, as well as the international business, since all the trends I'm representing only have an impact on the North American business. Now, 2013 has been a turning year for HMSHost. As I will explain later, we have overcome many challenges and achieved great success. First, HMSHost has been able to post significant top-line growth, around 3%, in a sluggish environment but, most importantly, the company has been able to offset the impact of fracturing on some of our major contracts, as well as to compensate the loss of one contract, the Maryland turnpike. Even more striking is the comparable growth: sales growth in airports has been almost 9% versus traffic up only 1.5%, and motorways up 7.2% with traffic slightly negative. 2013 has also been a great success in terms of development: more than 2 billion dollars retained in terms of portfolio value between renewals and new wins. And among the new wins I would say… I would mention the contract of Fort Lauderdale, a new airport for HMSHost where HMSHost will be the only food & beverage operator. Third element and most important: margin improvement. The North American business posted a 70 business point improvement in EBITDA margin, reverting the trend of the last seven years when we saw a significant margin erosion. As you know, HMSHost retail sale to the World Duty Free Group has been completed, and this allows HMSHost to focus exclusively on the food & beverage operations. 2013 has also been the year in which a new food procurement provider, Food Buy, has been selected and the transition phase has started. The transition phase will be over in the first quarter 2014 and will confirm our target of savings of 5 million dollars this year. However, I would say that 2013 results come from two different components: the first one is what we call "transition contracts" in airports. So, transition contracts are the ones that have been impacted by a tendering process and where HMSHost will be either the sole operator or the main one. As I said before, HMSHost has been very successful in development, but in some cases we ended up with retaining only part of the original business. As an example, in Atlanta we won two out of five packages out for tender, which was, by the way, the maximum allowed to be awarded to one operator, but, although successful, HMSHost has been able to retain 80% of its original business. The second component is what we call airport "stable contracts", so contracts that have not been impacted by any renewal process, and in these airports we performed very strongly, posting high growth and better margins. Among the stable contracts I would like to mention Charlotte where we recorded a 13% growth in sales and a double-digit growth in margins. And under the current contract framework the landlord as well takes advantage of this growth, making it a clear win-win in the industry. Now, let's start to analyze a bit more the impact of fracturing and what we call one-off concept openings. During our September investor day, actually, Tom talked to you about the fracturing process happening in the airport US market. In some cases airports decide to divide the current contracts in two or more packages, imposing at the same time a cap on the possibility to win, as it happened in Atlanta. In four airports, LAX Los Angeles, Atlanta, San Diego and Phoenix, HMSHost had to review its position with a significant impact on sales. Sales went down from 310 million in 2012 to 250 million in 2013, with a market share drop in these airports by 25%. This reduction has been detrimental for our business: loss of scale, branch costs are now impacting on a smaller sale base, either more exposure to traffic shifts among terminals and delay in flight deployment in new terminals. As an example, as we've seen before, Atlanta, one of the terminals that has been awarded to HMSHost is the newly built international terminal. Currently this contract is still operating at 40% of its capacity and is slowing down the growth of our business. We have a similar impact with different characteristics in the other airports, like, as I said before, LAX Los Angeles, San Diego and Phoenix. While fracturing has had a negative impact on HMSHost, it seems that it hasn't brought any big advantages to other competitors, we see them struggling in opening new units and facing problems due to their lack of scale and operational expertise compared to us. So we believe that after this transition HMSHost will come away stronger than our competitors. By the way, fracturing is not a new phenomenon in the US market. We faced it in a (…) actually in one of our biggest accounts, Chicago Air: in 1997 we had a renewal process and HMSHost reduced the sales by 15% but, even more important, we reduced our store cash-flow by almost 50%. But since then HMSHost has been able to rebuild the business and create one of the biggest accounts in terms of sales EBITDA of our portfolio. Furthermore, once we recognize the importance of fracturing, we can say that fracturing, the bulk of fracturing, is now behind us and we can now build on a much more stable sales base. Besides fracturing, we had to face another important challenge in 2013, due to the ramp-up of the new one-off units. Starting from the fourth quarter of 2012, HMSHost opened more than 50 new units, what we call "new one-off concepts". These concepts are usually high-street restaurants that bring the local flavor of the city to the airports. The challenges of these new one-off concepts are many: the operational complexity is generally higher, compared to national brands, like Starbucks and BK, they are less standardized, the main uses are generally broader, which does not comply with the need for speed of service in the airport environment. As a consequence, these concepts have a quite specific approach and the ramp-up time is usually longer than the national brands. But the trend, as you can see, has been constantly improving, showing a steady growth in store cash-flow before rent. This improvement has been achieved through many levels, mostly menu simplification, reducing food cost and speeding up service time, operational reengineering, adapting processes and start scheduling to the new airport environment. We are confident that this trend will continue, as our team is more and more accustomed in dealing with these one-off concepts, finding new creative solutions to problems and also standardizing back-of-the-house operations. In airports like Las Vegas, Salt Lake City, in which we were heavily impacted by these new openings we already see signs of recovery and a significant improvement in sales and margins. Now, notwithstanding the impact of fracturing and new one-off concepts, as I said, HMSHost results have been very positive I would say thanks to the over-performance of what we call the "airport stable contracts". Airport stable contracts are the ones that, I remind you, have not been impacted by the new renewal process. And they've been performing very strongly, posting a top-line growth of 11.2% and, even more striking, an EBITDA growth of 21.3%. On the base of this very strong performance there are many commercial and operational initiatives focused on both revenue growth and margin improvement. Different projects, one is the lead project focused on label scheduling, which is helping HMSHost to reduce over- and understaffing and driving revenue growth without increasing the number of associates. So 2014 we believe will continue on the path starting 2013, most of the fracturing impact has been absorbed last year and this year we will focus on commercial initiatives to boost both capture as well as leveraging our P&L structure. On a final note, we are very proud to announce that once more, and for the seventh year in a row, HMSHost has been recognized as the best food & beverage operator in North America at a recent R&N revenue conference in Orlando, another significant recognition of the growing and excellent path that HMSHost is on. In conclusion, 2013 has been a turning point for us. We've been able to reverse the downward trend in EBITDA margin recorded in the last seven years. The transition contracts' impact has been more than offset by our airport stable contracts, resulting in sales growth and improved margins. Therefore, we are on track on our medium-term targets. And with this, I'll return to Gianmario. Thank you.

Gianmario Tondato - Chief Executive Officer: Thank you, Silvano, and now we didn't forget that we are here also for the numbers, so… also… Alberto.

Alberto De Vecchi - Chief Financial Officer: Thank you. And good afternoon. As Gianmario said at the beginning, in 2013 we delivered results in line with our guidance. So let's go through first our performance in the last quarter, and then I will recap on the full year. In Q4 sales generated by HMSHost in the territories they manage, which is North America, Schiphol airport in Europe and several contracts in Asia Pacific airports, declined by 0.2% compared to the same period of last year. Such a reduction in sales has been exclusively determined by the disposal in September 2013 of the retail operations to World Duty Free in connection with the demerger. And, in fact, in the last quarter 2012 those assets of US retail generated about 56 million dollars, so if we exclude the US retail sales from the last quarter 2012, the growth of HMSHost sales in Q4 would have been 7.2%. Our comparable F&B sales in US airports grew by 13.2% compared to a traffic which grew by 2.2%. Similarly, our US motorways comparable sales grew by 11.1% in the quarter, compared to a traffic which grew by 0.7%. About 50% of such massive over-performance has been generated by the different calendar of the last quarter in the last two years, which assigned a supplementary week to 2013 compared to 2012. Even discounting that impact of the supplementary week, you see that the over-performance toward traffic has been very significant. And an opposite effect on our sales number in the quarter has been caused by fracturing – Silvano has explained to you before what fracturing is – which has subtracted an amount of sales that we estimate in about 21 million dollars to the quarter, with respect to those… to what those fracturing contracts generated in the last quarter of 2012. As for the sale, the disposal of the US retail has been the only factor leading to the reduction in absolute terms of the EBITDA generated by HMSHost in Q4. In fact, if we exclude the US retail contribution, HMSHost EBITDA would have remained stable, around 78 million dollars both in Q4 2013 and 2012. The fracturing of contracts has had a negative impact of about 10 million dollars on the EBITDA of the quarter, the loss in margin on those contracts is particularly high, as you have heard from Silvano, this is due to lower efficiency and scale on the fracturing location and the new concepts that have substituted the old ones, which we are still learning from. All the other contracts have grown positively in the quarter, confirming the good results achieved in the first nine months of the year. Excluding the impact of both the disposed US retail and the fracturing, EBITDA has grown in the quarter by more than 13% compared to the same period of the previous year. If you consider the results we already achieved in the non-fractured contracts and what Silvano told you about the Chicago fracturing in 1997, that is our ability to turn the fracturing around with time, you may see that we have here a significant opportunity, despite having a negative impact at the beginning. Now, moving to Europe and starting with Italy, our sales performance in Q4 has been slightly better compared to the previous quarters, although still negative. On motorways, on Italian motorways, sales fell by 3.6%, which is an improvement, if you think that in the first nine months sales were down 6.1%. Having said that, we still under-performed traffic, which in the last quarter 2013 was negative by 0.5%. Sales also declined in other channels we operate in in Italy, although at a lower rate than motorways. The 13 million of lower sales in the quarter have resulted in 4.7 million less on our Italian EBITDA, with the usual flow-through of around 37% on lost sales. Looking at other European countries, we've had an increase in sales of approximately 8% compared to the previous year. This is mainly due to new openings in Belgium, Germany and UK. In the rest of Europe, we generated an EBITDA of around 8.8 million in the quarter, a huge increase compared to 2.5 million in the same period of last year. This is mainly due to higher sales and strict management of the operations and only in part to a negative… to a positive one-off of 2.7 million euros, due to the reorganization of the pension scheme in Switzerland. So these figures in Q4 have taken us to the overall consolidated numbers of 2013, with sales of 3 billion and 985 million euros and an EBITDA of 314 million. Below the EBITDA line, the total of amortization of fixed assets and write-offs of tangible and intangible assets has amounted to around 226 million euros, almost the same amount of 2012. Financial charges decreased by around 20 million compared to 2012 due to lower debt and the amortization of the interest rate derivatives… determination of the amortization of interest rate derivatives we unwound in 2011 when we refinanced our bank facilities. Moving to taxes, please consider that 2012 provisions to corporate taxes was lowered by a positive one-off of 12.5 million related to the booking of a corporate tax credit in Italy. So, net-net, the net income for food & beverage before minorities was 8.3 million euros compared to 7.4 million in 2012. As you know, in 2013 we booked the net result of the travel retail business for the first nine months of the year, that is until the date of effectiveness of the demerger. This has brought our total net income for the year before minorities to 99.4 million euros. Last year it was 110 million euros, but in 2012 we consolidated, of course, twelve months instead of nine of the travel retail results. So now moving to the balance sheet and cash-flow statement, net financial indebtedness at the end of 2013 is 673 million, compared to close to 1.5 billion at the end of 2012. Of course the demerger has had the lion's share in the reduction in debt, as it has resulted in the deconsolidation of the World Duty Free Group debt, which was exceeding 560 million euros at the end of 2012, and the payment of a dividend of 220 million euros from the World Duty Free Group to Autogrill prior to the demerger. The cash-flow generation for the year has been positive by 21.4 million compared to a cash absorption of 20 million in 2012. Included in the 2013 cash-flow is a net inflow of 58 million euros, which results from the mentioned disposal of the US retail and the acquisition of our stake in our new company… new operations in Vietnam. The cash-flow generation for the year would have been much better if we hadn't had the very negative dynamics of our working capital, which absorbed 88 million in 2013 compared to an absorption of 17 million in the previous year. The reduction of the Italian sales and the pay-out of the three-year incentive plan for the management are the main items of the higher absorption. Now, moving to 2013, let's see how the year started in terms of sales: for the sake of good comparison, we have excluded from the numbers of 2012 the sales generated by the US retail disposed business. What we comment are our weekly sales as of March 2, which is week 9, and in the first nine weeks of 2013 the Group sales were up by 3.7% over the same period of the previous year. HMSHost performance has been positive and up by 4.9%. Sales in the airports managed by HMSHost, and I remind you that they are US airports, Canada airports, Schiphol and several Asian Pacific airports, grew by 6.3% notwithstanding the severe weather that hit the East Coast of North America. Just to give you a measure of the impact of bad weather, consider that we experienced cancellations of over 50,000 flights, almost five times the number of cancelled flights in a typical winter season. But notwithstanding this… this impact, you see that the strong performance that we achieved in the normal weeks, the ones that have not been affected by the bad weather, by the snow storms, has allowed us to reach this important growth of 6.3% as a whole in the airports. The bad weather has had an impact also on our HMSHost performance on motorways, because it was particularly bad… the bad weather was particularly bad in the Ontario turnpike. In motorways in the US we saw, even in motorways, with such bad weather, we saw a decline but it was limited to 0.6%, so a very limited decline, considering the special situation. In Italy sales have declined by 1.3%, compared to 2013 but in this case this has been due, in fact, to a different perimeter, to the closure of points of sale that we did last year. On motorways our sales in the first nine weeks of 2013 grew by 0.9%, which is in line, approximately in line with the first indications we got on the evolution of the traffic in the period. In the rest of Europe, sales grew by 8.5% thanks to new openings and improvements in the economic environment. As usual, we prefer to wait until Easter to give you the guidance, the quantitative guidance for the year, as we need to see whether early data turns into trends that we can rely on. Having said that, we can anticipate our strategic objectives for the year, which are to deliver growth in sales and margins in the US, renew the Italian concessions currently under bid in line with the targeted approach and the discipline Gianmario was referring to before, implement the performance-enhancing projects that Ezio described to you, and keep strengthening our contract portfolio. With that, I'll hand over to Gianmario for his closing remarks and then we are prepared to take your questions.

Gianmario Tondato - Chief Executive Officer: I think, you know, you see on this chart our main targets for 2014: growth in sales and margins in North America, HMSHost, renewal of concessions and the implementation of the improvements, all the things that Ezio was referring to, and, of course, continuing to develop the business. I think these are the three main objectives that we have this year. Thank you for your attention. I think we can start with the Q&A session now.

Q&A session (room):

A – Gianmario Tondato - Chief Executive Officer: It looks like we did a good job, because there are no questions!

A – Alberto De Vecchi - Chief Financial Officer: Or to void…

A – Gianmario Tondato - Chief Executive Officer: Or to void…

1. Mr. **Stefano Lustig** from **Equita:**

Q – Stefano Lustig: Stefano Lustig, Equita. If I look at slide number 29, the EBITDA margin in Q4 for HMSHost declined by 60 basis points, if I… and you explained that it's mainly because of fracturing and a change of perimeter. You mentioned, if I understood well, a growth on a comparable basis of 13% for airports and 11% maybe for motorways.. okay, and also if I understood well, a 13% growth in EBITDA. So it means that when we remove these two effects the EBITDA margin was more or less flat in the quarter. We need to check this. The second question is on the performance on the first nine weeks and I was wondering if for this 4.9% growth in HMSHost you can also give us the growth at a comparable perimeter. And then I understand that we are not discussing about the guidance for 2014 but if you can give us some elements to determine what can be the evolution on cash generation. So, let's forget EBITDA for a moment but in terms of capex and what are your expectations in terms of improvement in working capital. Thank you.

A – Alberto De Vecchi - Chief Financial Officer: Well, your recap on the evolution of EBITDA margin in the last quarter is correct. So, in principle the main responsible, so if we exclude the contribution of the US retail, that is not there anymore, so it's millions that disappeared in the quarter, the main contributor for the reduction has been the fracturing contracts, that's fine, that is true. Then, on the other hand, we can consider that, as part of the improvement… of the massive improvement in sales has been determined by the additional days, you know that our company as many companies in the US are recording in weeks, so there is a moment in which you have one more week, and it happened in 2013. Of course in this case it is not like having an increase of 13% in one period, as in this case you have operational scales, you have more growth because you have more time, so at the end of the day it has not been accretive to the margins. But the rest you are right that the other contracts more or less continued with the same margins of before, so there has been no decline nor an improvement. In terms of the second… comparable growth in the… in the first nine weeks I go by heart but I think it is a bit higher than the numbers I mentioned, so it means that it has not been generated by a difference in perimeter in the US. Just a second I have… but we don't want to give too much data on weekly sales because otherwise we tend to… we don't' want to make another let's say, annual report on… on weeks, because we are happy enough with the quarters, so we don't want to make also… the weekly information. But I think that it's not determined by a difference in perimeter, it's determined by actual performance on the points of sale.

A – Gianmario Tondato - Chief Executive Officer: There is momentum.

A – Alberto De Vecchi - Chief Financial Officer: The momentum is there. The momentum is there. Of course we can expect that… when you have bad weather in a quarter of course the quarter will be affected by bad weather so… because especially when you have these very tough times, very tough weather, it is much more difficult then to manage the cost structure. So we have to consider that in terms of sales we are very immediately able to recover in the moment when we don't have the bad weather anymore, in terms of margins probably we are struggling a bit more, because you can't adapt your sales force, your workforce to what is happening outside in the weather. So that is something that we have to consider but we are confident that with… along the year if the trends are confirmed we can digest some inefficiency at the beginning, because this is an important growth. In terms of working capital expectations, I think that this is mainly related, the negative in the working capital has been mainly generated by Italian operations. And… because it is in Italy where we have, because of the structure of our contracts, we have the largest part of our working capital. So when we absorb sales as we have a negative working capital, we absorb cash. So there is no cure unless to start improving sales again. So that's why it's so important to try to understand whether this slightly better situation that we have seen in the first nine weeks of the year is going to be confirmed in the next weeks, so in the next month. Comparable sales are around, say, 7% in airports, so it's better than the actual, while in the motorways we had some closures last year, so comparable sales today are… this year are… with a different perimeter not because we lost contracts because we had refurbishment contracts last year. So, in that case, comparable is more negative, so it's around 3.9% negative. So we go from 0.6 to 3.9 negative for the motorways, that is mainly determined by bad weather in Canada, when we go up from 6.3% to a bit more of 7% when we look at airports. Well, wait for another two months.

2. Mr. **(???)**:

Q – (???): Hi, a quick question, if I may. The 90 shops that you're going to transform over the next three years, how much do they represent of the total turnover? In Italy that would be. If you can give us an idea of out of the 1.something (…) sales in Italy how much is going to be under refurbishment?

A – Ezio Balarini - Chief Marketing Officer: **Frankly speaking, I have to go by heart, but they represent 30% of the number of points of sale and I would say between 45-50% of the volume of the Italian network. Motorways, clearly. Speaking of motorways. Maybe…**

Q – (???): So the 878 million euros.

A – Ezio Balarini - Chief Marketing Officer: **Roughly, yes. I say roughly, because I don't have exactly the number in mind.**

Q – (???): And when you refurbish, or redesign these outlets, I guess you need to shut them down and reopen them after three months or.. what kind of impact on sales…

A – Ezio Balarini - Chief Marketing Officer: In reality, in reality it's unusual for us to completely close the store, so normally we.. when we refurbish we refurbish the store by zone, by area of the store, so we never close down. The… I think that the kind of impact we have is clearly limited and it's different point of sale to point of sale, so I don't have in mind exactly what the impact is.

Q – (???): And, last but not least, in terms of investment in these outlets how much goes to opex rather than capex?

A – Ezio Balarini - Chief Marketing Officer: Everything is capex in this case.

Q – (???): Capex…

A – Ezio Balarini - Chief Marketing Officer: Yes.

Q – (???): The 31 million we saw for Italy last year is that representative of what we should see in the future? Or is it going to go up?

A – Gianmario Tondato - Chief Executive Officer: Good guess, but, you know, as Alberto said before, you know, we should wait a couple of months. Thank you.

A – Gianmario Tondato - Chief Executive Officer: Thank you for your time. There are no more questions so I think… thank you for being here, really. It's great here and great to be here with you. Thank you.