



# Management Presentation

17<sup>TH</sup> JANUARY 2019

BNP Paribas 15<sup>th</sup> High Yield and  
Leveraged Finance Conference



**Make the day work.**

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# The Presenters

David Flochel



CEO

- **Prior professional experience:**
- Regional President of Mars Drinks North America
- General Manager of Mars Drinks Europe
- Unilever, AB InBev and L'Oreal
- **Joined Selecta in July 2016**

Gabriel Pirona



CFO

- **Prior professional experience:**
- CFO of Photo-Me International plc
- Business transformation and turnarounds at Avery Dennison and Recall
- Strong track record of successful M&A
- **Joined Selecta in April 2018**



# Agenda

01 - SELECTA TODAY

02 - DRIVERS FOR GROWTH

03 - FINANCIAL HIGHLIGHTS



# 01 Selecta Today



**Make the day work.**

01

# Selecta Today: Leading Route Based Unattended Self-Service Coffee and Convenience Food Provider in Europe

Market leader in large and attractive market

#1 or #2 position in 10 core European markets - share typically 10-15% <sup>1</sup>

10 million consumers served daily in 16 countries

Proven business model

Route-based business with unique logistics infrastructure network and high density on the last mile

Inherent size and M&A program leading to further density and scale savings

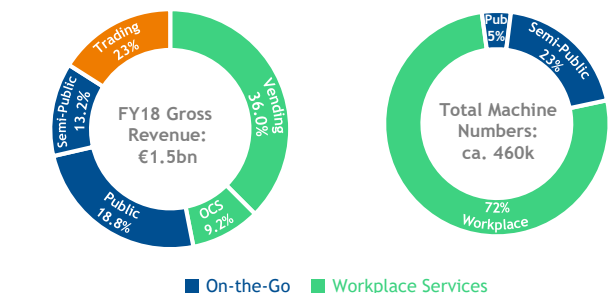
Solid financial position

€1.5bn of pro forma gross sales for the year. High revenue visibility with LT contracts of 3-10 years with best-in-class retention

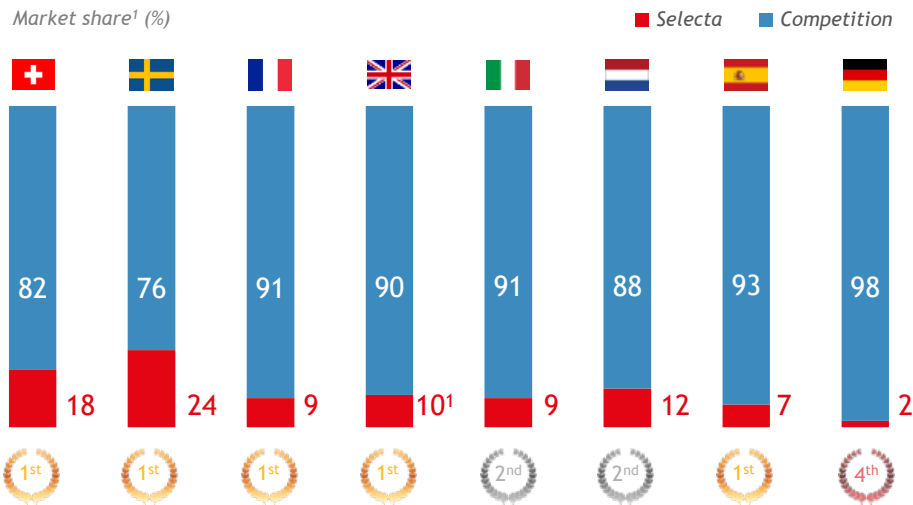
organic growth in excess of 2% <sup>2</sup>

## FY18 Selecta Business Model: Breakdown by Channels





























Targeted go-to-market strategy to capture demand across multiple channels



## Selecta's Leading Positions in a Very Fragmented Market



# Targeted Go-to-Market Strategy to Capture Market Demand across Multiple Channels

	Private Segment		On-the-Go Segment		Trading	
Highlights	<ul style="list-style-type: none"> <li>Improves at-work experience of captive employee base</li> <li>Benefits employers by enhancing employee satisfaction and productivity</li> <li>Provides a service in places not accessible by other formats</li> </ul>		<ul style="list-style-type: none"> <li>Enhances consumer experience at customer locations by providing tailored coffee and snacking offerings</li> <li>Allows customers to further monetize high and low footfall locations</li> </ul>		Provides full suite of services to customers	
Locations	<p>Vending</p>  <p>   </p>	<p>Office Coffee Service</p>  <p>    </p>	<p>Public</p>  <p>    </p>	<p>Semi Public</p>  <p>   </p>	<p>Food Service and backdrop</p>  	
Revenue model	 Sale of goods from machine  Servicing	Contracts with corporates  Sale of goods when delivered to corporates  Servicing 	 Sale of goods from machine	Sale of goods from machine  Contracts with Universities, Hospitals, etc. 	 Bean roasting  Machines	 Goods  3 <sup>rd</sup> Party servicing
Revenue %	c. 35%		c. 20%		c. 20%	



# Comprehensive Product and Service Offerings Tailored to Fit Customer and Consumer Needs

Wide Variety of Product Offering



Coffee/Hot drinks

50%<sup>1</sup>



Cold drinks



Snacks



Healthy options



Fresh food



Trading

20%<sup>1</sup>

Coffee / hot drinks account for 55%<sup>1</sup> of total revenues (including coffee trading)

3<sup>rd</sup> Party Private Label



Local Specialties



Global Brands



Diversified Portfolio of Attractive Brands

Supply / Technical

- Provide machine, ingredients, consumables and offer technical service only (no service element)

Partial Service

- Provide machine, ingredients and consumables (and receives fee/rent)
- Customer responsible for cleaning and refilling machine

Full Service

- Responsible for the procurement and placement of machines, stocking/restocking of items and ongoing maintenance

Ability to Offer a Range of Service Capabilities



Instant



Fresh brews



Bean-to-cup / Capsules



Exclusive premium concepts with fresh milk



Custom concepts

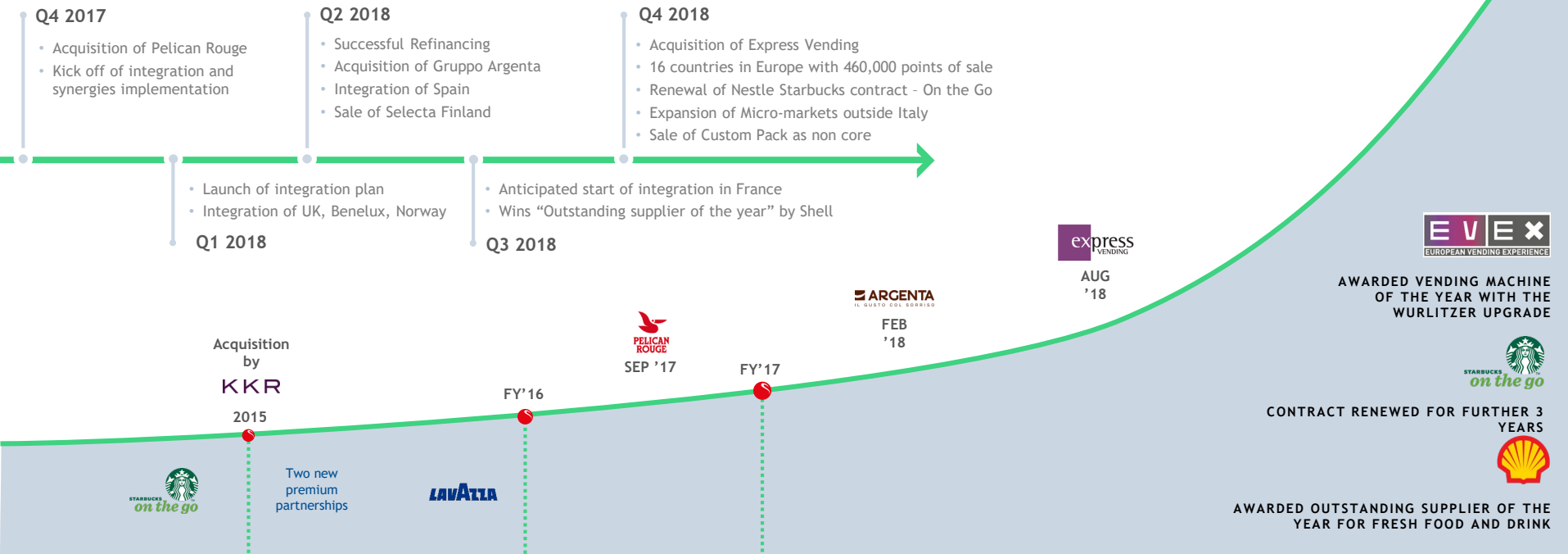
Ability to Offer a Range of Service Capabilities

01

# Recent Business Transformation Enabled by Focused Execution

Enhanced leadership capabilities

Culture focused on delivery of transformation milestones





## 02 Drivers for Growth

**Make the day work.**



02

# Clearly Defined Strategy to Strengthen our #1 Market Leader Position in Europe

## Ambition

Guided by our Vision & Mission

Accelerate our market leadership in Europe with our customers and consumers in mind

Being number 1 or 2 in top markets in which we operate

## Values



## Strategies

- 01 Greater Customer Experience**  
 Drive customer acquisition by selling unique concepts, opening new routes and standardizing sales processes, maximize customer base value through high retention, profitability and satisfaction
- 02 Delighted Consumers**  
 Offer the widest range of quality coffee brands, convenience food & beverages concepts, flexible payments, loyalty programs & leveraging data to improve offering
- 03 Powered by Great People**  
 Attract talent and retain capable organization, in line with core values, for the growth and transformation of the company
- 04 Route Based Excellence to the Last Mile**  
 Deliver high quality service at highest efficiency through continuous improvement, standardization, life cycle management and technology in order to maximize customer satisfaction
- 05 Natural Market Consolidator**  
 Integrate other players into our group in order to increase the density of our route-based network to further enhance operating efficiencies and synergies
- 06 Innovation Leadership**  
 Set industry standard for innovation, leveraging the latest technologies to enhance our offering in Self-Service Retail and beyond

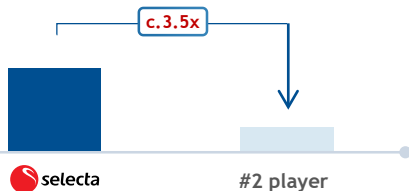
**Vision:** Selecta as the European leader in unattended self-serve coffee and convenience food, at the workplace and on-the-go

**Mission:** Selecta is dedicated to providing great quality coffee brands, convenience food & beverages concepts and convenient concepts in food and beverages.

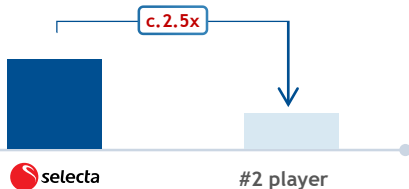
02

# Leading Market Positions and Scale Drive Superior Returns

## Sales<sup>1</sup>



## Installed Machine Park<sup>2</sup>



## Geographical Presence



<sup>1</sup> For 12 months ending 30 September 2018.  
<sup>2</sup> As of 30 September 2018.

## Long-lasting relationships with strategic customers

- Partner of choice for travel retailers and convenience retailers
- Leading solution provider in the Workplace environment with large international companies



## Using technology for best-in-class consumer experience

- Scale provides the ability to invest in latest technologies and roll them out
- Unique, modern tech development (e.g. touchscreen user interface and introduction of cashless payment systems and telemetry)
- Building a network of connected machines that enable quick response and increased efficiencies



VENDING MACHINE OF THE YEAR FOR THE WURLITZER UPGRADE

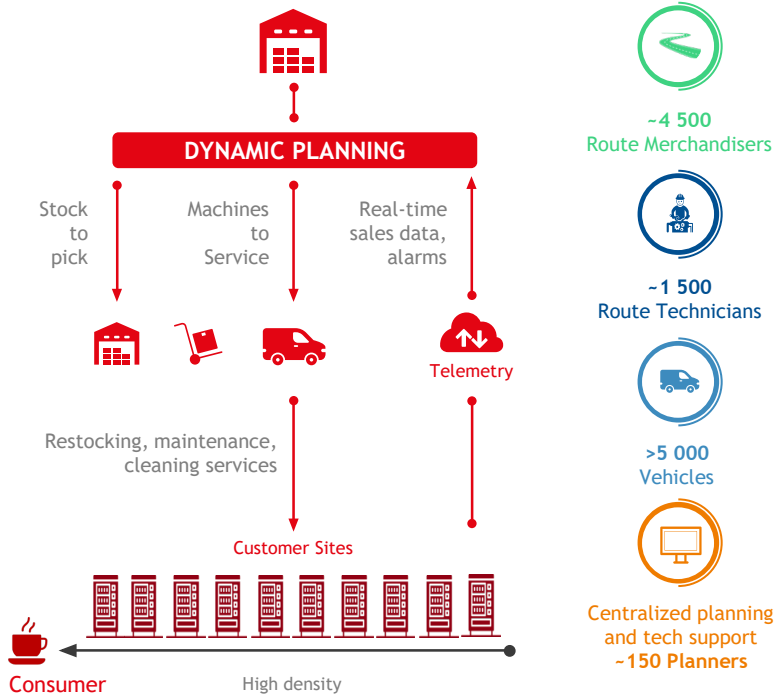


## Scale to drive operation efficiency, margin expansion, and superior returns

- Negotiate best procurement arrangements
- Highest density yields superior efficiency and savings
- Largest machine buyer in Europe, resulting in more efficient capex spend and being the partner of choice for machine manufacturers
- Payback period <2 years across all customers and machines types

# Scale and Technology Driven Business Model Drive Competitive Advantage and Efficiency in Operations

## Our Route Based Business Model



## Distinct Market Position

- Granularity of format allows customization of offering to local needs (segment, individual customer)

## Leading Route Density on The Last Mile

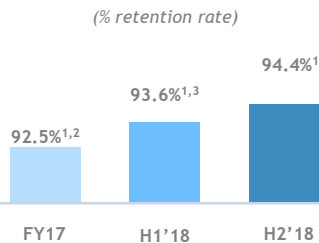
- Selecta's route-based operation represents a distinct competitive advantage on the last mile and beyond
- Leading density creates high entry barriers, and provides attractive unit economics for growth and bolt-on acquisitions

## Operational Capabilities - "Toyota Model"

- Recognized for its unique abilities to operate in complex environments (e.g. petrol, public transport networks)
- Ongoing introduction of telemetry (IoT) enables revolutionary transformation of "Push" into "Pull" model (a.k.a. Toyota Model)

# 02 Focused Drivers of Organic Growth

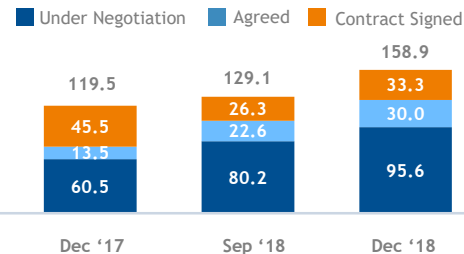
## Improving Retention



- 100% retention of top 10 customers<sup>4</sup>
- H2'18 progression on H1 driven by
  - Turnaround in the UK (+2pts)
  - Continued strong performance in DACH reaching 97.6% in H2
  - Improvements in Italy (+1.5pt), Sweden (+1pt)
- Retention performance in France has been difficult due to legacy challenges but now improving by +1.5pt Q4 on Q3 after step changes in the organization
- Consistent tracking embedded in all markets
- Q4 FY18 retained customers:



## New Business Pipeline Acceleration (€m)

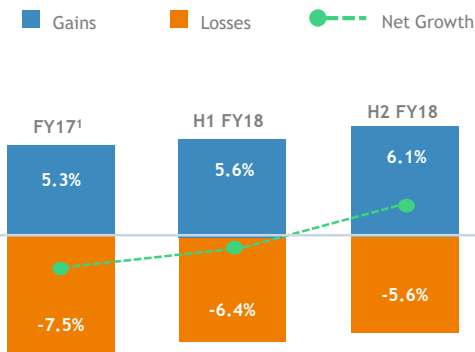


- Steady acceleration of activity in the pipeline: +33% Dec'18 vs. Dec'17
- Investment in sales capability e.g. in Switzerland and Italy starting to deliver, introduction of sales academy
- FY18 notable wins include:



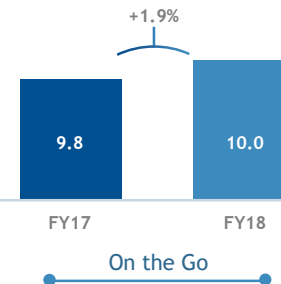
# 02 Focused Drivers of Organic Growth

## Accelerating Net Growth



- Net growth from recurring annualised revenues gains and losses moving from -2.2% in FY17 to -0.8% in H1 FY18 and +0.5% in H2 FY18
- Gain rate increasing on the back of large roll-outs across all channels, namely in public (France, UK), semi-public (Sweden) and private (Germany, Norway)

## Growing Net Sales<sup>2</sup> / Machine / Day (in €) (SMD)



- SMD growth underpinned by high throughput petrol rollouts mainly in France, UK
- Machine productivity further boosted by cashless installations and targeted improvement in operations (e.g. Paris metro and airport)

### Workplace

- Decreasing share of low throughput machines in the machine mix: less low-performing machines in France, the UK as well as less OCS machines in Italy



# Selecta Aims to Set the Industry Standard for Innovation, Leveraging the Latest Technologies to Enhance Offerings

Innovation and Technological Development Bring Operational Efficiency and Margin Improvement

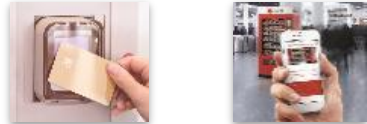
## Selecta User Interface

Innovative interactive vending experience



## Cashless Payment Systems

Increased convenience to customers and consumers



## Telemetry

Fully connected machines enabling dynamic refill planning and remote monitoring



## Selecta eWallet

Unique customer experience and lower-cost alternative to NFC-based systems



## FOODIE'S MicroMarkets

Unmanned and unattended, 24h self-service stores designed for the workplace offering wider product offering





# 03 Financial Highlights



**Make the day work.**

# 03 Positive Developments Supporting Strong Ongoing Outlook

DELIVERED ON OUR COMMITMENTS IN 2018

Achieved

01 **Gross Sales**<sup>1</sup>: €1,545m, +2.3% actual sales growth, +4.0% vs. last year<sup>2</sup> as reported



02 **Adjusted EBITDA**<sup>1</sup>: €248m, +5.7% vs. prior year



03 **Synergy program**: continues to be cash positive



04 **Cash capex**<sup>1</sup>: €95.8m



05 **Free Cash Flow generation**: covered our fixed cash charges in FY18



Note: Based on management accounts.

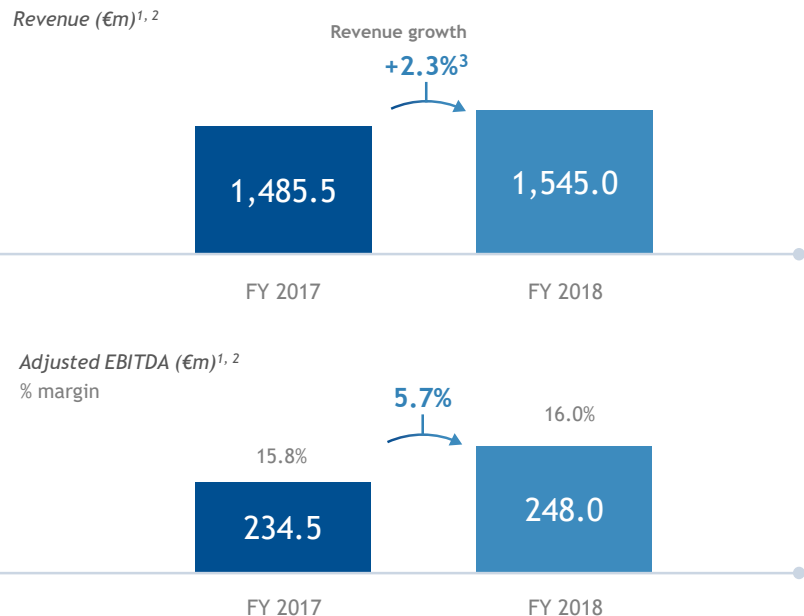
<sup>1</sup> At constant foreign currency rates. Constant foreign currency rates applied: CHF/EUR 1.15; SEK/EUR 9.65; GBP/EUR 0.88

<sup>2</sup> Gross sales growth of +4.0% include the positive effect of the harmonization of the vending fees accounting presentation. Excluding this effect, gross sales were up by +2.3%

03

# Steady 12 Months FY18 Performance - A Strong Basis for Future Growth

## Key Financials



## Many Positive Developments

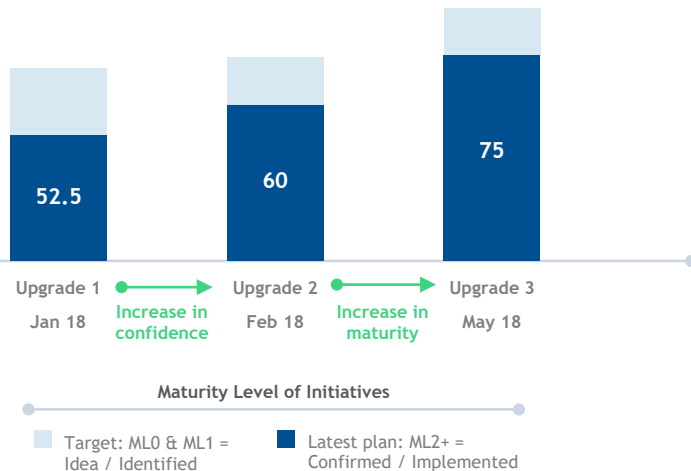
- **Revenue: Strong performance despite major transformation of the business**
  - €1,545m at Constant Currency (CC) +2.3% (reported +4.0%, including the positive effect of vending fees accounting harmonization)
- **Growth in Net Sales acceleration in 2018**
  - +1% in FY18
  - Growth acceleration in H2 +2.1% (CC) compared to +0.1% in H1 due to retention improvements, large new business rollouts, resilient SMD growth and a dynamic trading channel
- **Adjusted EBITDA**
  - +5.7% reported increase, €248.0m (CC): + €13.5m
  - + €12m (CC) arising from growth and +0.2pt margin expansion generated by procurement synergies
  - Employee costs reduction from synergies, partially reinvested in capabilities, mainly in sales

03

# Consistent Over-Delivery of Synergies Lead to Multiple Upgrades in Targets With Further Upside Potential

## Cumulative Synergies Delivery by 2020

(€ in million)



Synergy program is cash positive each year

## Regular Review & Upgrades

- Over-delivery and validation of early stage ideas (ML0 and ML1 potentials) enabled an early upgrade of the program in February 2018
- Latest review results in the upgrade of program from €60m to €75m
  - Higher procurement savings following Q1/Q2 over delivery (€5m)
  - Delivery of maximum SG&A potential (€5m)
  - Confirmation of telemetry and planning savings during pilots (€5m)
- In addition, new initiatives (ML0 & ML1) have been identified internally, and are currently being assessed
- Review supported by leading international consultancy

# 03 Cash Generation

## Strong recurring cash generation (EBITDA less Capex)

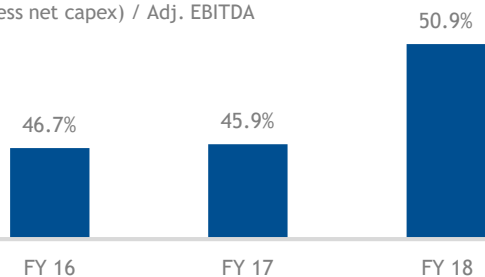
EBITDA less Capex:

€m	FY16	FY17	FY18
Adjusted EBITDA	229.0	234.5	248.0
Net Capex <sup>1</sup>	122.1	126.9	121.7
EBITDA less Net Capex	107.0	107.6	126.3

+17%

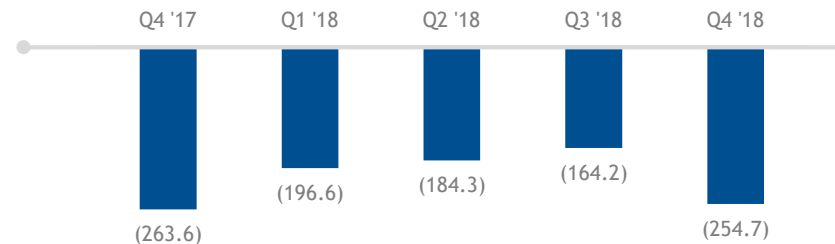
Recurring cash conversion:

(Adj. EBITDA less net capex) / Adj. EBITDA



## Structurally negative WC supporting growth funding

Total working capital position:



Working capital breakdown:

	Q4 '17	Q1 '18	Q2 '18	Q3 '18	Q4 '18
Net inventories	93	105	102	106	98
Net Receivables & trapped cash	172	184	202	182	158
Net Payables & accruals	-346	-324	-302	-304	-360
Other working capital	-183	-162	-186	-148	-151
Total Working Capital	-264	-197	-184	-164	-255

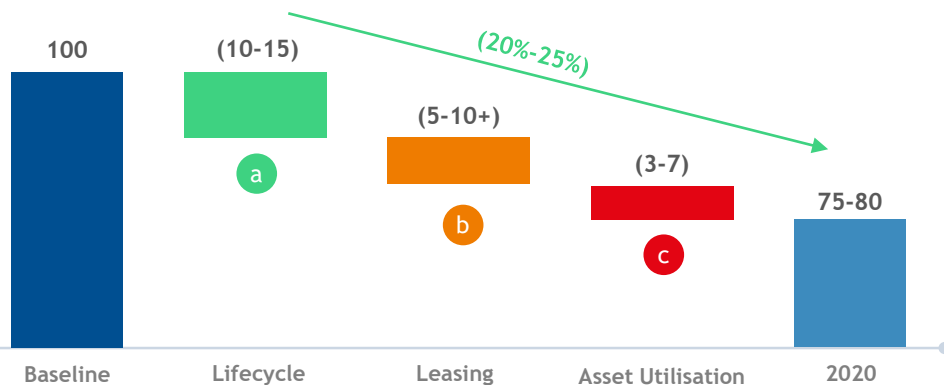
03

# Capital Intensity Program to Reduce Total Cash Capex

Commitment to reduce cash capex by 20% by 2020 expected to be reached by end 2019

## Structural Levers of the Program

(Indexed to 100)



### a Lifecycle

- Lifecycle expansion from 12 to 18 years without compromising consumer experience

### b Leasing

- Expansion of leasing opportunities following successful pilots in 2017/18

### c Asset Utilisation

- Algorithm to optimize asset utilization
- Relocation of under-performing machines
- Match machine to commercial potential

## Capital Allocation Discipline

- Payback <2 years
- Minimum refurbishment of machines - best practice capability from Argentina
- Post investment review

## 03

## Positive Developments Supporting Strong Ongoing Outlook

Delivered on our commitments in 2018, further acceleration from FY18 on top line, bottom line and cash generation

Achieved

01 Revenue<sup>1</sup>: €1,545m

FY18

+2.3%

FY19 Outlook

+3.5%

02 Adjusted EBITDA<sup>1</sup>

€248m

€265m - €275m

03 Synergy program: continues to be cash positive

04 Cash capex

€49m

€80m - €100m

05 Free Cash Flow generation: covered our fixed cash charges in FY18





Thank you

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