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EANS-Adhoc: gategroup Reports Solid 2009 Performance

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18.03.2010

- Results demonstrate resilience in face of weak airline industry and severe global recession

ZURICH, March 18 --

Highlights for the year 2009:

- gategroup reports respectable turnover, profitability and very strong cash flow despite challenging macro-economic and airline industry environment
- New contract wins and increased volume among low-fare carriers mitigate effects of aviation industry downturn
- Revenue of CHF 2,712.3 million, is down 6.7% reported; essentially flat in constant currencies (down 0.5%)
- EBITDA of CHF 202.2 million, is down 17.4% reported; or 10.1% in constant currencies
- EBITDA margin holds steady at 7.5% down less than one percentage point from the previous year
- Operating profit of CHF 98.3 million, is down 20.4% reported, or 11.3% in constant currencies
- Reported profit for the year is CHF 51.0 million, 12.8% lower than 2008's result of CHF 58.5 million
- Cash flow from operations is up sharply to CHF 137.1 million from CHF 36.6 million, an increase of 274.6%
- Shares are listed on SIX Swiss Exchange as of May 2009

gategroup, the leading independent global provider of onboard products and services, reported a profit of CHF 51.0 million for the full year 2009 in the face of a severe global economic downturn and the weakest environment in decades for airlines, its core customer group.

The reported profit for the period came on revenue of CHF 2,712.3 million compared to CHF 2,907.9 million in 2008. However, when adjusted for foreign exchange differences, revenue was essentially flat. Basic earnings per share improved in 2009 to CHF 2.61 versus CHF 2.16 in 2008.

"In the context of the world economic downturn and crisis within the airline industry, we consider 2009's results to be a solid performance," said Chief Executive Officer Guy Dubois. "gategroup is structured to withstand the shocks of the cyclical airline industry and these results demonstrate that resilience," he said.

Substantial contract wins and retentions The relatively mild impact on revenue was largely influenced by new customer business that offset volume reductions among existing accounts. The new agreements include, among others:

- The 10-year renewal of British Airways' long-haul catering and handling business at its London Heathrow hub - A major contract renewal with Delta Air Lines, now the world's largest carrier, that will exceed CHF 1 billion in revenue over several years - Extension of business with Swiss International Air Lines at its home bases in Switzerland - A new long-term contract with United Air Lines for business at its Tokyo hub and an agreement to

manage United's onboard retail program within North America - A quadrupling of the rail catering and logistics business in Spain as provider to Cremonini Rail Iberica S.a.a, whose contract with RENFE, the Spanish national railway company, was expanded to the railroad's entire network

"In addition to winning new business, the Group's basic contract structure buffers it against swings in the number of passengers among its traditional full-service airline customers because it generally includes a fixed overhead recovery charge, a handling charge and per-meal revenue," explained Chief Financial Officer Thomas Bucher. "In addition to this revenue buffer, the Group has a very flexible cost structure," he said.

Approximately 90% of gategroup's 2009 revenue was derived from contracts which are valid through 2010; about 80% from contracts valid through 2011; and 75% through 2012, which management believes implies stable future cash flow generation.

Further expansion into onboard retailing Also, gategroup has successfully expanded into the onboard retailing business, which is an integral part of the business model for the fast-growing low-fare airline segment and which traditional airlines are increasingly adopting as a way to generate additional revenue. gategroup is the industry's leading provider of onboard retailing services, currently managing programs for 10 airlines involving well over 500 aircraft.

Impressive cash flow generation on the back of resilient business model Reported EBITDA was CHF 202.2 million, down 17.4% or 10.1% in constant currencies, and EBITDA margin was 7.5%, which was at the high end of the Group's earlier stated expectations. The EBITDA margin declined by less than one percentage point (minus 0.9pp) compared to the previous year.

Operating profit was CHF 98.3 million compared to CHF 123.5 million in 2008, a decline of 20.4%, or 11.3% in constant currencies.

Profitability in 2009 was negatively impacted due to higher restructuring costs in line with our continuous efforts to rightsize our operations to market conditions and the costs incurred in relation to the Company's listing on the SIX Swiss Exchange. In addition, the startup costs for SAS Scandinavian Airlines as well as integration costs of the new United Airlines business at Tokyo Narita had an impact on profitability.

Meanwhile, cash flow from operations was up sharply to CHF 137.1 million from CHF 36.6 million the previous year, an increase of 274.6%. "We put considerable emphasis on balance sheet management in 2009 and that has paid off," Bucher said, adding that "we intend to maintain this strong focus on cash flow management within our operating units."

Reported gross debt was CHF 692.8 million, higher than at the end of the previous year following the Group's decision to tap a delayed draw credit facility, at LIBOR +250 bps, that would have expired in May 2009. The intention was to retain financial flexibility during uncertain economic times by having more cash on the balance sheet, Dubois said. Reported net debt decreased compared to the previous year by CHF 68.2 million to CHF 435.2 million.

In addition to a comfortable cash position, the Group's listing on the SIX Swiss Exchange sets the stage for potentially broader access to capital markets as an additional funding source should appropriate opportunities arise, Dubois said. "We intend to be active in the market consolidation process and to benefit from the trend among airlines and other travel-related industries to outsource non-core activities."

Cautiously confident outlook Looking ahead, Dubois said 2010 will continue to be difficult, but that an upturn is likely. "We believe the U.S. market will turn around in the first half, but that Europe will lag behind by at least one or two quarters. On the revenue line, we expect that a positive run rate from 2009 contract wins will offset the non-retention of the British Airways short-haul catering contract at London Heathrow.

In summary, we expect a recovery to take hold by the end of the year, which we believe will translate into a stable top line for 2010, an improved EBITDA margin of 7.5% to 8.0% and continued strong operating cash flow," Dubois said.

Key figures of gategroup

Income Statement information In CHF m except per share data

Period ended	Dec. 31, 2009	Dec. 31, 2008
Revenue	2,712.3	2,907.9
EBITDA	202.2	244.9
EBITDA margin	7.5%	8.4%
Operating profit	98.3	123.5
Operating profit margin	3.6%	4.2%
Finance (costs) net	(26.7)	(79.1)
Profit before tax	72.2	45.0
Profit for the year	51.0	58.5
Basic earnings per share	2.61	2.16
Fully diluted earnings per share	2.57	2.13

Balance Sheet information in CHF m	Dec. 31, 2009	Dec. 31, 2008
Current assets	665.6	580.6
Non-current assets	860.9	844.5
Total assets	1,526.5	1,425.1
Current liabilities	519.9	557.2
Non-current liabilities	892.4	809.3
Total liabilities	1,412.3	1,366.5
Total equity	114.2	58.6
Total liabilities and equity	1,526.5	1,425.1
Cash and cash equivalents	257.6	155.2
Short-term debt	19.5	85.9
Long-term debt	673.3	572.7

Cash Flow information in CHF m	Dec. 31, 2009	Dec. 31, 2008
Profit before tax	72.2	45.0
Cash generated from operations	182.3	100.2
Interest, net	(35.9)	(41.0)
Income taxes paid, net	(9.3)	(22.6)
Net cash flow operating activities	137.1	36.6
Acquisition of subsidiaries	(19.5)	(34.9)
Capital expenditure	(58.6)	(79.6)
Other	6.2	4.9
Net cash flow investing activities	(71.9)	(109.6)
Net cash flow financing activities	52.3	76.4
Increase in cash	117.5	3.4

For more detailed information, please see gategroup's Annual Report 2009, which is available in English in the Investor Relations section of our web site, www.gategroup.com.

About gategroup:

gategroup is the leading independent global provider of onboard services to companies that serve people on the move. gategroup comprises 11 member companies, which are deSter, eGate Solutions, Elan, Gate Aviation, Gate Gourmet, Gate Safe, Harmony, Performa, potmstudios, Pourshins and Supplair.

The Group's world-class capabilities are focused in catering and hospitality; provisioning and logistics; and onboard solutions.

Our customers include top airlines, railroads and hotels around the world that rely on our expertise and solutions tailored to their guests, service offerings and geographic regions.

Shares of Zurich-based gategroup are traded on the SIX Swiss Exchange under the symbol GATE. Please visit www.gategroup.com.

IMPORTANT NOTICE This publication may contain specific forward-looking statements, e.g., statements including terms like "believe", "assume", "expect" or similar expressions. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may result in a substantial divergence between the actual results, financial situation, development or performance of the company and those explicitly or implicitly presumed in these statements. Against the background of these uncertainties readers should not rely on forward-looking statements. The company assumes no responsibility to update or revise any of these forward-looking statements or to adapt them whether to reflect new information, future events, developments or circumstances or otherwise.

INVITATION TO MEDIA gategroup CEO Guy Dubois and CFO Thomas Bucher invite media representatives to participate in a telephone conference call regarding Full Year 2009 Results.

The call will be held at 9:00 CET on Thursday, March 18, 2010.

To participate, please call the dial-in number approximately 15 minutes before the start time. Once dialed in, please follow the instructions given over the phone.

Direct dial-in numbers: +41 (0) 91 610 56 00 (CH & other countries) +44 (0) 207 107 06 11 (UK) +1 866 291 4166 (USA - Toll-Free) +49 (0) 69 2 22 22 05 93 (Germany)

INVITATION TO ANALYSTS AND INVESTORS gategroup CEO Guy Dubois and CFO Thomas Bucher invite analysts and investors to participate in a telephone conference call regarding Full Year 2009 Results.

The presentation of Full Year Results 2009 can be accessed via webcast and dial-in teleconference at 14:00 CET on Thursday, 18 March 2010.

To listen to the live presentation via teleconference, call the dial-in number approximately 15 minutes before the start time. Once dialed in, please follow the instructions given over the phone.

Direct dial-in numbers: +41 (0)91 610 56 00 (CH & all countries) +44 (0)207 107 06 11 (UK)
+1 866 291 41 66 (USA - Toll-Free) +49 (0)69 2 22 22 05 93 (Germany)

Please note that media will not be able to ask questions during the Q&A session for analysts and investors.

To link to the live webcast of the presentation, please go to the "Investor Pack" tab under the "Investor Relations" section of the gategroup website, www.gategroup.com.

ANNUAL REPORT ESSAYS Annual Report essays by the Chairman, Chief Executive Officer and Chief Financial Officer are reproduced here for your convenience.

Chairman Andreas Schmid As Chairman of our Board of Directors, it gives me great pleasure and pride to present gategroup Holding AG's first Annual Report as a publicly traded company. Despite a challenging economic environment during 2009, the Group has performed admirably, particularly considering results within its largest customer segment -- the airline industry.

The International Air Transport Association estimates its member airlines will post losses of about \$9.4 billion for 2009, following negative results of \$17 billion the previous year. The Group, meanwhile, has held its own with a 2009 reported profit for the year of CHF 51.0 million, coming from reported revenue of CHF 2,712.3 million.

These results are testament to the resilient business model of the Group, management's close attention to cost control and our innovative responses to customer needs.

gategroup Holding AG listed its shares on the SIX Swiss Exchange on May 12, 2009. At the time, markets worldwide were in the doldrums. The Dow was under 8,500; the FTSE 100 below 4,500; and the SMI under 5,400. I have been asked many times why the Company chose to go public during such a period. Simply stated, the enterprise was ready.

Following a financial and organizational restructuring in the middle of the decade as part of a private equity firm's portfolio, the Group's ownership base expanded in 2007 to about 100 investors, primarily financial institutions, with shares trading in a limited fashion over the counter.

Recognizing the structural changes within its customer base, management launched a growth-through-acquisitions strategy in 2007. By building upon the traditional airline catering business and growing through selective acquisitions, gategroup's 11 brands now address a full range of onboard needs in the aviation and rail industries. With a successful reorganization completed and a flexible business model achieved, the time was right to begin positioning for the future.

By going public, we increased the liquidity of our shares and expanded our ownership base, which now numbers about 500 registered shareholders, as investors increasingly recognize the value of gategroup. The Group instituted a new governance structure, ensuring transparency to all of our constituents, and we have attracted coverage among a number of financial analysts.

We firmly believe airline industry consolidation will continue and lead to growth opportunities. Through its listing, the Group has set the stage for potentially broader access to capital markets as an additional funding source, which also may be used for merger and acquisition activities.

In the meantime, the Group continues to focus on cash flow to deleverage the balance sheet and provide internally generated funds for growth and investment, including any potential M&A activity.

There will continue to be challenges in 2010, although we expect to see a recovery taking hold by the end of the year. The Group has already demonstrated its capability to weather economic storms, and my fellow Board members and I are confident that the Group is uniquely well equipped to capitalize on an upturn.

On behalf of the Board of Directors, I thank our management team for their excellent work in the past year navigating through a very difficult environment. Our thanks also go to the employees around the world for their efforts and contribution to the Group's performance. And, of course, we are grateful for our shareholders' ongoing interest and support.

Chief Executive Officer Guy Dubois 2009 will long be remembered as the year that the world's economies entered the most difficult period in decades. Airlines, our major customer group, were particularly hard hit as businesses slashed travel to cut costs and worried consumers canceled vacation plans.

The Group, of course, has not been immune to these global forces. 2009 reported revenue of CHF 2,712.3 million was down by 0.5% on a constant currency basis compared to 2008. The reason for the mild revenue impact was due to new business wins that offset volume reductions among existing accounts. Our reported EBITDA margin was 7.5%. On a reported basis, we delivered to the high end of our expectations on the EBITDA margin, while generating substantial operating cash flow of CHF 137.1 million. In the context of the world economic downturn and crisis within the airline industry, we consider this a solid

performance.

Our resiliency is a direct result of our corporate strategy to create a "one-stop shop" for clients seeking end-to-end solutions for their customer service needs. This year has seen a further integration and alignment of our 11 brands to work more coherently, and especially to leverage our ability to cross-sell to clients and solve problems holistically. As a result, customers increasingly regard gategroup as a strategic partner rather than simply a supplier.

We started the year strongly with the 10-year renewal of British Airways' long-haul business at its key London Heathrow hub. We also completed major contract renewals with Delta Air Lines and Northwest Airlines -- now the world's largest airline -- as part of their post-merger integration of supply contracts. This is a significant deal that will encompass in excess of CHF 1 billion in revenue over several years.

Service to SAS Scandinavian Airlines began at its three Nordic hubs, and we extended our business with Swiss International Air Lines for three additional years at its home bases in Switzerland. LAN Airlines extended and expanded business with gategroup brands in its key Latin American markets. We increased our presence in the important European rail market through the Group's increased business in Spain with Cremonini, which provides catering for the national railway.

There were other "wins," and it's clear we have forward momentum. I am pleased to say that nearly 90% of the past year's revenue is already secured under contract for 2010 and the figure for 2011 is at about 80%.

Innovation continued to blossom in 2009 and gategroup today is more than ever the leader in serving people on the move. As airlines seek to save fuel costs by lowering weight and to respond to environmental concerns about carbon output, we have brought new products to market. The deSter brand developed its unique Lean-on-Me Tray(TM) concept to save trolley space, and our Harmony brand is offering amenity bags made from recycled plastic, to name a few examples.

One of the fastest growing segments of catering and hospitality in the airline industry is onboard retailing and gategroup has clearly become the industry's leading provider. We have developed a robust offering that ranges from a turn-key model, such as with easyJet, to managing a customer's retail program as under a new agreement with United Airlines for its domestic network. eGate Solutions' acquisition of Abanco's software and wireless point-of-sale technology significantly enhances our retail solution, which airlines are increasingly adopting as a way to generate additional revenue.

The Abanco acquisition is just one example of our continued commitment to invest in our future. Others include the acquisition of United Airlines' flight kitchen at Narita in the important Tokyo hub, new Gate Gourmet units in Newark and Copenhagen, and the addition of new highloaders into the network. We have invested CHF 58.6 million in fixed assets in 2009.

We continued to refine our "asset-light" model by aligning the management of our Pourshins and Supplair brands into one leadership team to take advantage of customer, supply chain and market synergies. Working together the two brands offer unique and flexible off-airport food and beverage solutions that can free up space in existing flight kitchens and allow the Group to operate in markets where it has no physical presence.

We believe that consolidation within the industry will continue and that merger and acquisition opportunities, particularly in the Asia-Pacific and Middle East Regions, will develop as airlines there follow the pattern set elsewhere and outsource non-core activities such as catering and provisioning. Under the right conditions, the Group fully intends to participate in this consolidation. We have cash available, and since our listing on the Swiss stock exchange, we can tap capital markets for merger and acquisition funds should an attractive opportunity arise.

Internally, we have new leaders for deSter, Pourshins/Supplair, Performa, for the Asia-Pacific Region and the human resources function. These moves have further strengthened our management team across regions and brands. Additionally, our efforts to identify and enhance our people talent through leadership development programs are in full swing. In the technology area, the continued rollout of SAP and strengthening of IT systems and processes are resulting in more standardization and cost efficiencies.

I thank our tireless management team and our hard-working employees around the world for what they have achieved against a backdrop of enormous challenges. We anticipate that 2010 will be difficult. An upturn, however, is inevitable, and we expect it in late 2010 with a full impact in the following year.

Through the efforts of our employees and the continued support of our Board of Directors and shareholders, we at gategroup are well positioned to take advantage of a recovery.

Chief Financial Officer Thomas Bucher The global economic climate in general was challenging in 2009 and the recessionary environment for airlines -- gategroup's primary end-user industry -- was particularly difficult. Yet even in the face of these adverse circumstances, the Group generated respectable turnover and profitability and very strong cash flow.

Furthermore, when normalized for foreign exchange variations and one-time charges related to restructuring and the costs related to the listing process at the SIX Swiss Exchange, the results paint a picture that underscores the Group's resilience.

Taken at face value, the reported performance for the Group, at both the top and bottom lines, shows a decline for 2009 when compared to the previous year. Context, however, is the key to understanding these results.

Reported revenue for the year totaled CHF 2,712.3 million for 2009, a decrease of 6.7% but essentially flat (down only 0.5%) when compared to 2008 at constant currencies. The impact on revenue due to volume reductions among existing customers was mitigated by new contract wins, including our growing business in the low-cost carrier segment.

Furthermore, the Group in principle is less exposed to swings in the number of airline passengers because our basic contract structure generally includes a fixed overhead recovery charge, a handling charge and per-meal revenue. In addition to this revenue buffer, we have a very flexible cost structure that generally lessens the impact on profitability in a down market.

EBITDA was CHF 202.2 million, a decline of 10.1% at constant currencies compared to 2008. The results of 2008 were positively impacted overall by the release of substantial legal provisions no longer needed. Our profitability in 2009 was negatively affected by the costs incurred in relation to the listing on the SIX Swiss Exchange as well as the startup costs for SAS Scandinavian Airlines in Scandinavia and integration costs of the new United Airlines business at Tokyo Narita. Likewise, the full run rate profitability of new business won was not yet fully achieved, and the overall lower volume led to sub-optimal capacity utilization in some of our production units.

Operating profit of CHF 98.3 million was down compared to CHF 123.5 million in 2008, a decline of 20.4%, or 11.3% in constant currencies, and was impacted by higher restructuring costs in our continuous efforts to rightsize operations to market conditions. Reported profit for the period was CHF 51.0 million, a decline of CHF 7.5 million, which was positively impacted by a net foreign exchange gain of CHF 24.3 million.

Cash flow from operating activities, meanwhile, was up in 2009 to CHF 137.1 million versus CHF 36.6 million in the previous year. We put considerable emphasis on balance sheet management in 2009 and that has paid off. We have been able to manage our net working capital position more effectively through better controls and tighter processes, for example over receivables, payables and inventories, and that has helped improve cash flow significantly compared to the previous year. Going forward, we intend to maintain this strong focus on cash flow management within our operating units.

Reported gross debt of CHF 692.8 million is higher than at the end of the previous year at LIBOR +250 bps because we decided to tap the delayed draw facility that would have expired in May 2009. Our intention was to retain the financial flexibility of the Group in uncertain economic circumstances by having more cash on the balance sheet. In addition to a comfortable cash position, our listing on the stock exchange has created a platform for future financial flexibility through potentially wider and deeper access to capital markets. Reported net debt was CHF 435.2 million, a decrease of CHF 68.2 million compared to 2008.

In summary, we are pleased with our solid business performance in economically challenging times. The results validate the Group's claim to a resilient business model and our focused approach to cash management has shown results and generated value for shareholders. We believe the Group is in a good position to benefit as the global economy and our end-user industries recover.

SOURCE gategroup

end of announcement

euro adhoc

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