eDreams ODIGEO

Q1 Results Presentation

Fiscal Year 2018 Q1 Results, ending June 30th 2017

August 25th 2017

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- The financial information included in this presentation includes certain non-GAAP measures, including "Bookings", "Gross Bookings", "EBITDA", "Adjusted EBITDA", "Revenue Margin" and "Variable Costs", which are not accounting measures as defined by IFRS. We have presented these measures because we believe that they are useful indicators of our financial performance and our ability to incur and service our indebtedness and can assist analysts, investors and other parties to evaluate our business. However, these measures should not be used instead of, or considered as alternatives to, the audited consolidated financial statements for the Group based on IFRS. Further, these measures may not be comparable to similarly titled measures disclosed by other companies.

Q1 Results Highlights

- **Q1 Results Highlights**
- KPIs
- Financial Analysis
- Outlook
- Appendix

Results Highlights

Solid performance ahead of guidance

- Year-on-Year comparisons reflect very strong Q1' 17

Q1 performance was driven by:

- Solid bookings and revenue margin
- Accelerated investment in mobile and evolution in change of our revenue model
- Adjusting for one-off factors, bookings grew 6%
  - Easter seasonality
  - The sale of our corporate travel and packaged tours business
  - We estimate the impact of the sale of these two businesses and Easter effect to be in the magnitude of 142K bookings

Revenue diversification initiatives on track and delivering results, visible in KPIs

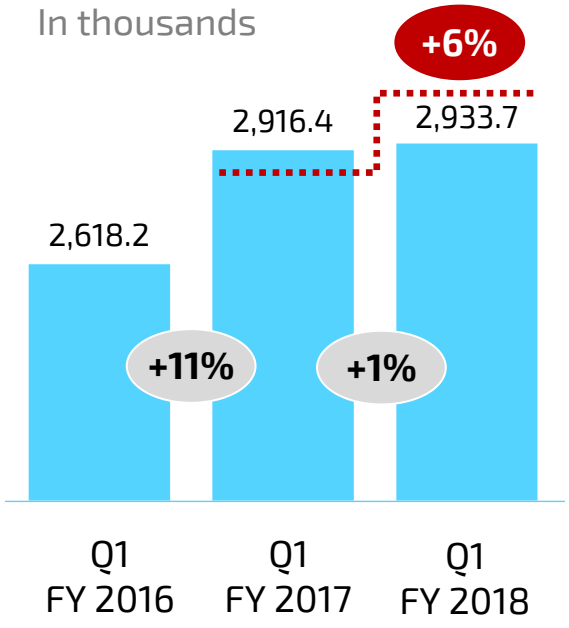
- Product diversification ratio up from 42% in Q1 FY17 to 46% Q1 FY18
- Revenue diversification ratio up from 27% to 31%

Reiterate Full year guidance

Results ahead of Q1 outlook and on track to meet FY 2018 guidance

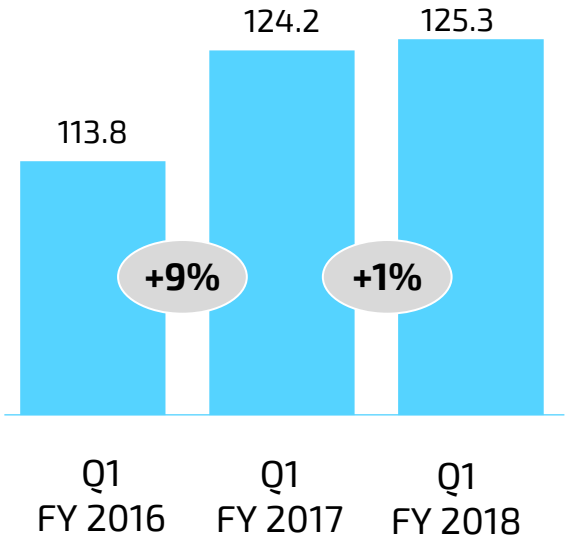
Bookings

In thousands



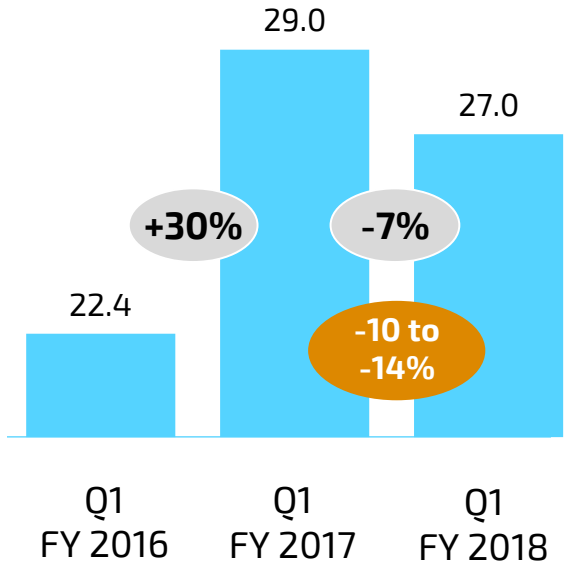
Revenue Margin

In € million



Adjusted EBITDA (*)

In € million



% Adjusting for one-off and seasonal factors: impact on growth rates

% Q1 FY 2018 Outlook

Source: Consolidated financial statements, unaudited

(*) Definitions of Non-GAAP measures on page 28-29

KPIs

- Q1 Results Highlights
- **KPIs**
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Success in our revenue diversification strategy is tracked through a series of performance indicators

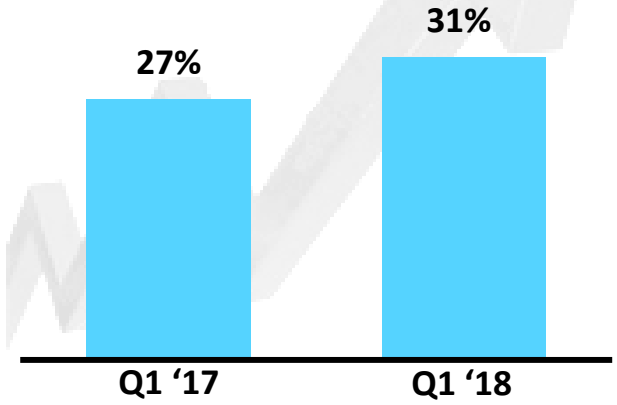
- Revenue diversification ratio
- Product diversification ratio
- Acquisition cost per booking index
- Repeat booking
- Share of mobile bookings



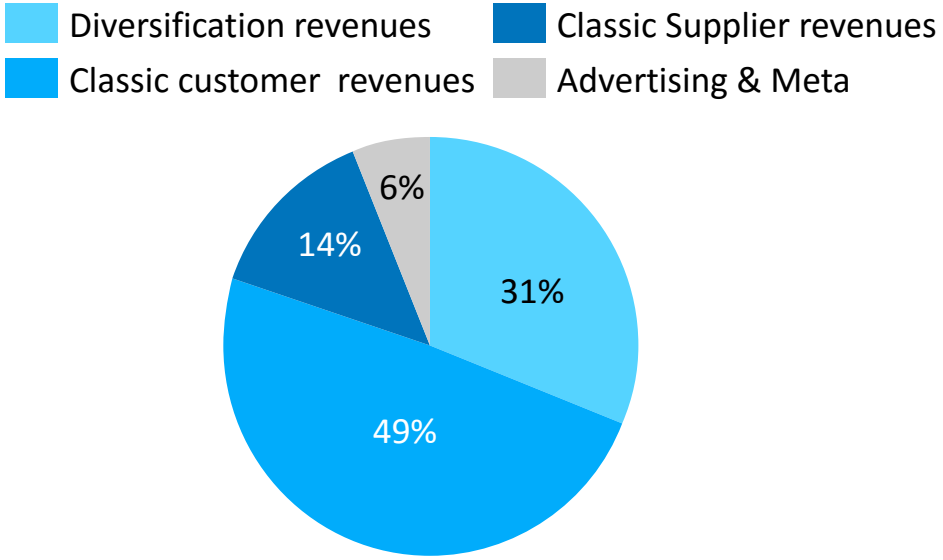
Growing share of revenues coming from our diversification strategy

Revenue diversification ratio (*)

Revenue diversification ratio



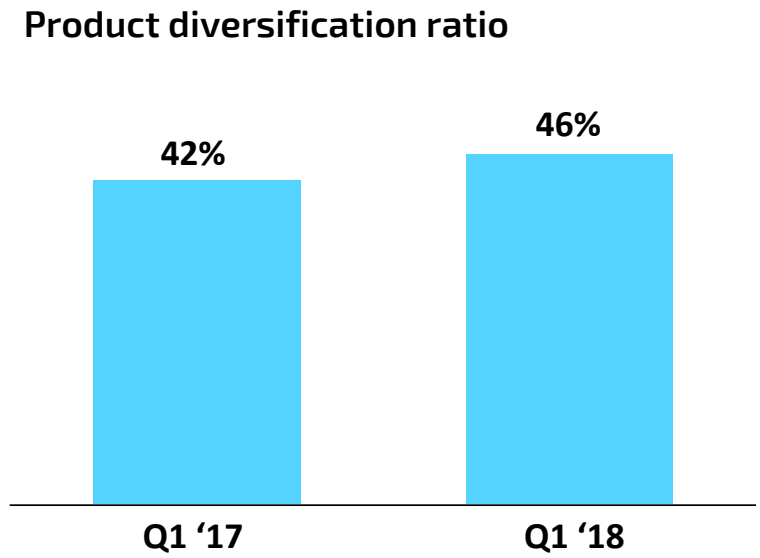
Revenue split



(*) Definitions of Non-GAAP measures on page 28-29

Increasing ability to add value to customers, booking with more attachments

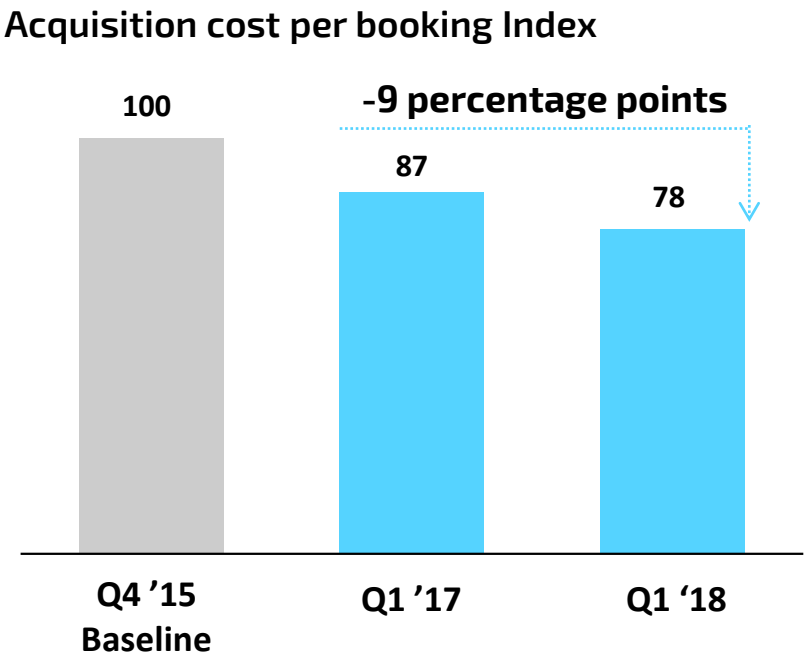
Product diversification ratio (*)



(*) Definitions of Non-GAAP measures on page 28-29

Decreasing acquisition cost v. index of Q4 FY 15 before start of transformation

Acquisition cost per booking index (*)

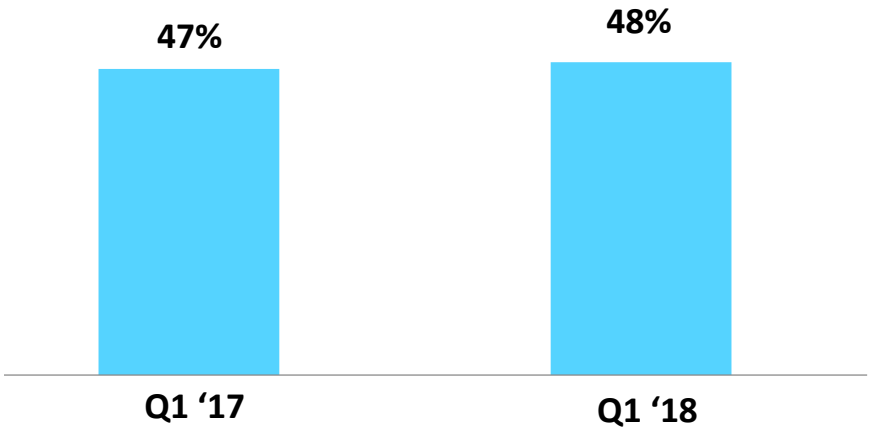


(*) Definitions of Non-GAAP measures on page 28-29

Stable repeat rates with positive YoY

Repeat booking (*)

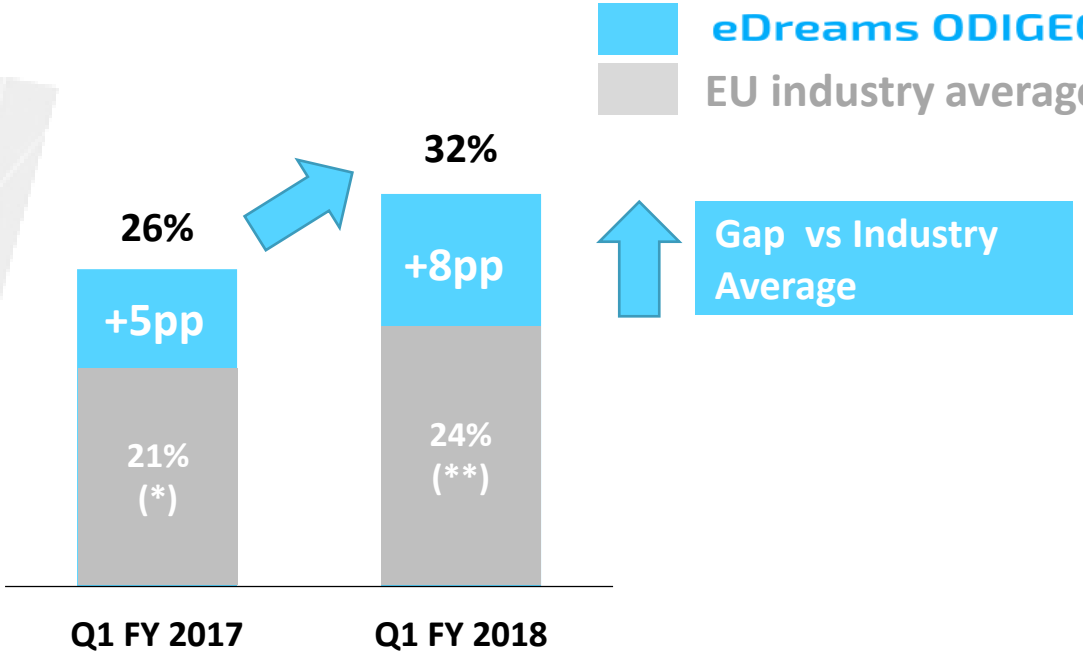
Customer repeat booking rate; Annualised view



(*) Definitions of Non-GAAP measures on page 28-29

Strong growth in Mobile Bookings

Mobile as share of flight bookings



Share of mobile bookings

Source: Phocuswright European Online Travel Overview Twelfth Edition
(*) 2016 Estimate
(**) 2017 Estimate

Financial Analysis

- Q1 Results Highlights
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Income statement

(In € million)	Q1 FY 2017	Q1 FY 2018	Var. 18 vs 17
Revenue margin	**124.2**	**125.3**	***1%***
Variable costs	(75.9)	(77.2)	*2%*
Fixed costs	(19.3)	(21.0)	*9%*
Adjusted EBITDA	**29.0**	**27.0**	***(7)%***
Non recurring items	(2.0)	(13.8)	*591%*
EBITDA	**27.0**	**13.3**	***(51)%***
D&A incl. impairment & results on assets disposals	(3.9)	(4.9)	*28%*
EBIT	**23.1**	**8.3**	***(64)%***
Financial loss	(10.2)	(10.2)	*0%*
Income tax	(5.3)	(5.0)	*(5)%*
Net income	**7.7**	**(6.9)**	***n.a.***
Adjusted net income	**9.2**	**6.0**	***(35)%***

Key highlights Q1 FY 2018

In FY 2018, main YoY evolutions reflect:

- **Revenue margin** increase by 1%
- **Variable Costs** grew in line with bookings. Reductions in acquisition cost were compensated by an increase in other variable cost, for discounts to customers classified in Q1 of FY17 as negative revenue margin (€4.5 million)*
- **Higher Fixed Costs** mainly due to higher personnel expenses
- **Non recurring items** mainly due to the provision related to the social plan in France and Italy (€12.3 million).
- **D&A and impairment** up due to new additions to the common platform, as well as intangible assets acquired with budgetpalces.com.
- **Financial loss** was in line with Q1 FY 2017.

Source: Consolidated financial statements, unaudited

If discounts to customers had been applied this fiscal year same as last year, Revenue Margin would have been €120.8 million (-3% YoY) and Variable Costs would have been €72.7 million (-4% YoY)

Working Capital evolution

Industry change…

Back in 2015, IATA approved regulations to increase frequency of remittance in two key markets:

- UK, moving from monthly payments to fortnightly payments, starting from June 2016
- France, moving from monthly payments to fortnightly payments, starting from April 2017

… Offset by WC performance program

In order to balance the negative effect on our working capital, we have executed during FY17 a working capital optimisation program

- Optimisation of display and pricing to customers of flight options that improve working capital
- Optimisation of process of collection of cash from customers
- Optimisation of payment rules and release of cash trapped



Working capital movement in FY17 was very positive, enabling us to offset IATA changes

Cash flow statement

(In € million)	Q1 FY 2017	Q1 FY 2018
Adjusted EBITDA (*)	**29.0**	**27.0**
Non recurring items	(2.0)	(13.8)
Non cash items	(1.4)	12.5
Change in WC	(0.7)	(62.7)
Income tax paid	(2.4)	(1.8)
Cash flow from operating activities	**22.6**	**(38.7)**
Cash flow from investing activities	**(6.0)**	**(7.0)**
Cash flow before financing	**16.6**	**(45.7)**
Repurchase of 2018 Notes	(29.1)	-
Other debt issuance/ (repayment)	(0.1)	(0.2)
Financial expenses (net)	(7.7)	(0.8)
Cash flow from financing	**(36.9)**	**(1.0)**
Net increase/(decrease) in cash	**(20.3)**	**(46.6)**
Cash (net of overdrafts)	**111.6**	**96.7**

Key highlights Q1 FY 2018

- **Cash flow from operations decreased by €61.3 million:**
  - Decrease adj. EBITDA by €2.0m
  - Higher non-recurring items
  - An outflow in working capital of €62.7m as a result of the impact of Easter holidays, which fell this year in April, and the change in payment terms in France, moving from monthly payments to fortnightly payments, starting from April 2017

  Offset by:
  - Lower non cash items: non-recurring items accrued but not yet paid
  - Lower income tax paid
- **Cash outflow from investing activities increased by €1.0 million:**
  - Leasehold improvements in Madrid and Barcelona
  - Upgraded IT infrastructure
- **Cash flow used in financing decreased by €35.9 million:**
  - Lower cash flow used in financing :
    - Repurchase and cancellation of 2018 Notes (€29.1 million)
    - A reduction of 7.2 million in interest paid due to the change in payment periods. The 2021 Notes interest is paid in January and July, while in the 2018 Notes were paid in April.

Source: Consolidated financial statements, unaudited (*) Definitions of Non-GAAP measures on page 28-29

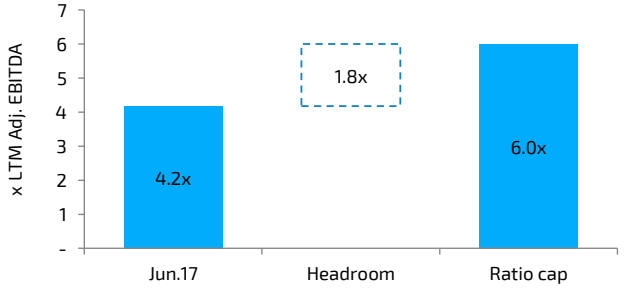
Stable leverage despite IATA change

- **Gross Leverage ratio was flat at 4.2x in June 2017 vs June 2016**, which gives us ample headroom vs our covenant ratio.

- Despite cash outflow from working capital, as already explained in the presentation and the FY results, **Net leverage** ratio **increased slightly from 3.1x** in June 2016 **to 3.3x in June 2017**

- Increase in SS RCF from €147 to €157 million

Gross Leverage Ratio (Total Gross Financial Debt[1] / LTM Adjusted EBITDA)



Debt Details

	Principal (€ Million)	Rating	Maturity
Corporate Family Rating		Moodys:B2 S&P: B Outlook: Stable	
2021 Notes	435	Moodys:B3 S&P: B	01/08/21

NOTES: Covenants figures unaudited

Outlook

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Reiterate full year Outlook

Outlook Statement

We will continue to invest to build long-term highly attractive business:

- Evolving our pricing and communication of that pricing
- Offering an exciting range of innovative products and services as a one-stop shop
- Improving our Product Diversification Ratio and Revenue Diversification Ratio as a result
- Pushing the transition to mobile, which affects performance in the short term but improves our strategic position and long-term attractiveness

We will control the transformation pace to continue to grow absolute Adjusted EBITDA

Reflecting this investment, we expect markedly soft revenues and profit in the first half of the fiscal year with second quarter showing improvements in performance vs Q1, but still showing either flat or a minor positive or negative growth rate in Adjusted EBITDA, for several reasons:

- Accelerated investment in the transition to mobile and evolution in change of our revenue model
- Still comparing against a very strong performance in Q2 of FY17, where many of our improvements already kicked-in and we were just starting to change our revenue model

All of the above is completely built into our full-year guidance, in which we expect a growth in Adjusted EBITDA around 7%.

Outlook for FY 2018

Bookings

In excess of 11.7 million

Revenue Margin

In excess of €487 million

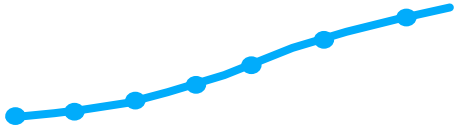
Adjusted Ebitda

€115 million (7% growth y-on-y)

+/- €2 million

Financial policy in line with strategy

We will control the transformation pace to continue to grow absolute EBITDA



✓ Long-term target of EUR 125-140m EBITDA by 2020

We expect a period of softer top-line performance to reflect longer-term investment in customer value



✓ More robust revenue profile
✓ Increased satisfaction
✓ Increased competitiveness as leader in Europe

This is part of a broader investment to ensure our business is well-positioned and attractive in the long term…



✓ Prioritizing long-term profitability

…and fits into our wider strategy of derisking our financial profile and increasing value to both debt and equity investors



✓ Select restructuring including divestments of Package and Corporate businesses
✓ Debt buy-back/successful refinancing
✓ Continue to reduce leverage

In summary…

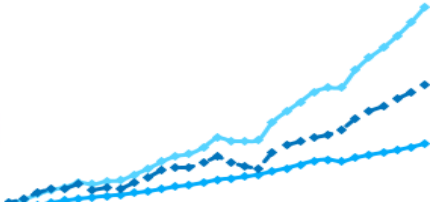
World-class product and technology



Customer value



Growing market



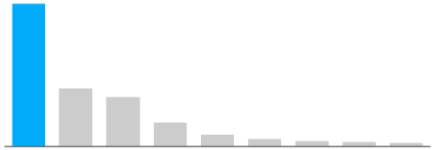
Industry structure



Mobile leader



Scale



Market leadership



Investment



Results

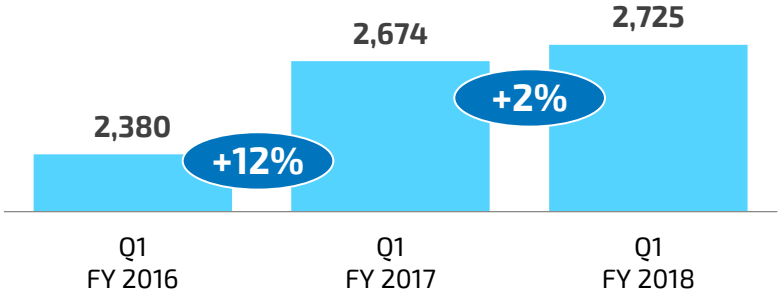
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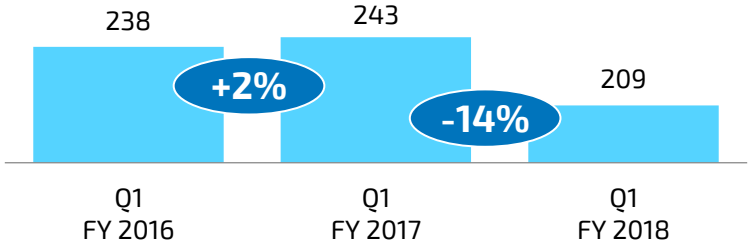
FLIGHT AND NON-FLIGHT BOOKINGS

Revenue diversification drives growth in Flight Business

Flight - Bookings
In '000



Non Flight - Bookings
In '000



Source: Consolidated financial statements, unaudited

Flight

- Progress in strategic initiatives and our revenue diversification have boosted our performance and they have also set us on the path for longer term growth
- As guided to the market, Q1 result was driven by:
  - Accelerated investment in the transition to mobile and evolution in change of our revenue model
  - Sale of the corporate travel and packaged tours businesses.
  - Change in Easter seasonality vs FY17
  - Comparison against excellent performance in Q1 of FY17
- Excluding the effect of the sale of these businesses and Easter seasonality effect, bookings would have grown by 6% in Q1 FY 2018
- We continue to make investments on our business to build scale, become more agile, improve business model, and create better customer experience

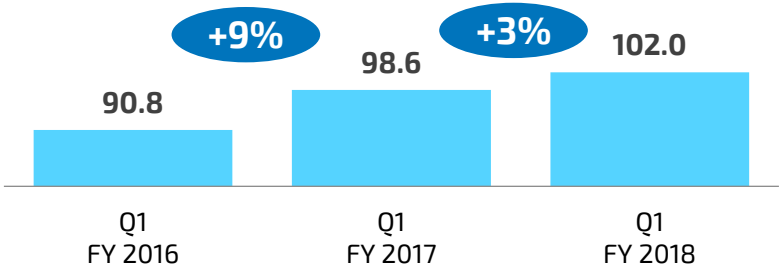
Non-Flight

- Non-flight performance in line with the implementation of strategic initiatives and FY 2018 guidance.
- As guided to the market, Q1 result was driven by:
  - Sale of the corporate travel and packaged tours businesses.
  - Easter seasonality effect
  - Investment in the transition to mobile and change of our revenue model
- Excluding the effect of the sale of these businesses and Easter seasonality effect, bookings would have been down only by 3% in Q1 FY 2018

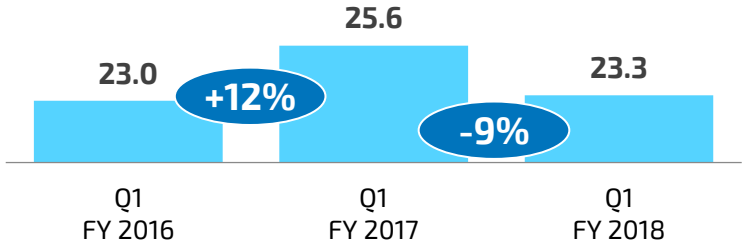
FLIGHT AND NON-FLIGHT REVENUE MARGIN

Revenue diversification drives growth in Flight Business

Flight – Revenue Margin
In € million



Non Flight – Revenue Margin
In € million



Flight

- Solid Q1 FY 2017 performance was driven by our continued efforts to improve product, re-orient price, and channel performance.
- In FY 2018, revenue margin performance driven by:
  - Bookings, already explained in previous slide.
  - Improvements in revenue margin per booking due to revenue diversification strategy, which includes flight related ancillaries, which delivered strong results
  - Partly offset by:
    - Longer-term investment in customer value, the shift in our revenue model, which includes increased price transparency display in some countries.
    - Foreign exchange impact, in particular the depreciation of the pound vs the euro

Non-Flight

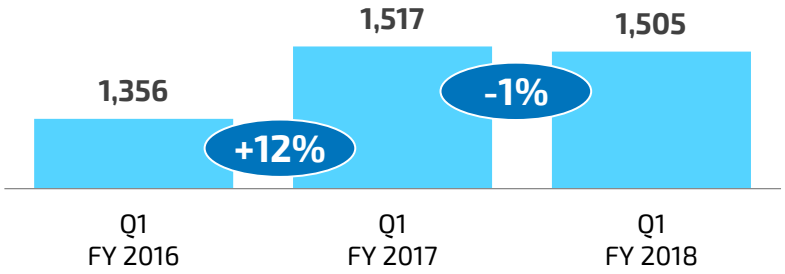
- In FY 2017, growth was driven by growth in bookings in the core markets and most non-flight products, and a 9% increase in revenue margin per booking, which was partly offset by a decline in package tours.
- In FY 2018, non-flight revenue margin growth driven by the revenue diversification strategy:
  - Bookings, already explained in previous slide.
  - An increase of 5% in revenue margin per booking

Source: Consolidated financial statements, unaudited

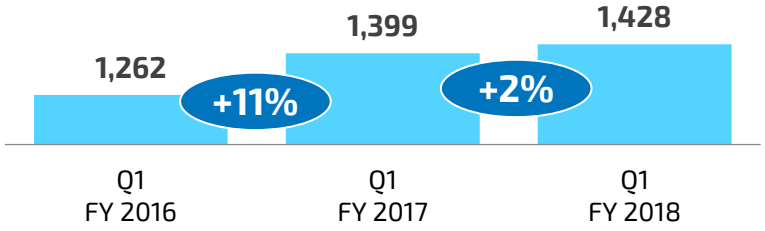
CORE AND EXPANSION BOOKINGS

Revenue diversification drives growth in the Expansion Markets

Core- Bookings
In '000



Expansion - Bookings
In '000



Source: Consolidated financial statements, unaudited

Core

- In Q1 FY 2017, we had strong growth in bookings due to solid growth rates in all three markets (Spain, Italy and France) and in particular the flight business.
- In FY 2018, strategic initiatives on track and delivering the desired result, as guided to the market at our full year results presentation; bookings decrease as a result of accelerated investment in the transition to mobile and evolution in change of our revenue model
- Excluding the effect of the sale of the Packaged tours business and Easter seasonality effect, bookings would have grown by 2% in Q1 FY 2018
- We continue to make investments on our business to build scale, become more agile, improve business model, and create better customer experience

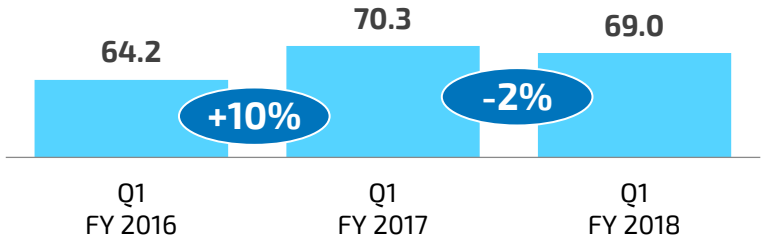
Expansion

- In Q1 FY 2017, Expansion markets showed strong growth rates, mostly driven by Germany, as well as solid growth rates in the UK and the International Markets
- In FY 2018, positive growth continues as strategic initiatives are paying off, growth in bookings performance driven by investments made on our business and revenue diversification
- Excluding the effect of the sale of the Corporate Travel business and Easter seasonality effect, bookings would have grown by 10% in Q1 FY 2018

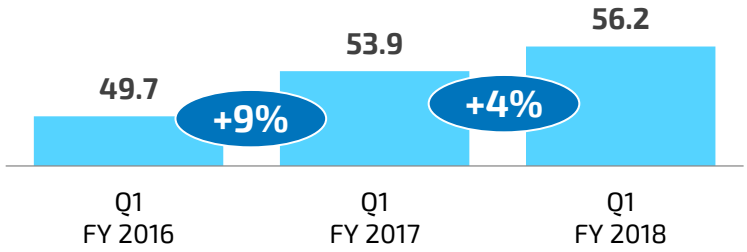
CORE AND EXPANSION REVENUE MARGIN

Revenue diversification drives growth in the Expansion Markets

Core – Revenue Margin
In € million



Expansion – Revenue Margin
In € million



Source: Consolidated financial statements, unaudited

Core

- In Q1 FY 2017, we had a significant improvement in the revenue trajectory and strong growth rates in bookings due to our flight business as a result of our continued efforts to improve product, re-orient price, and channel performance.
- In FY 2018, revenue margin performance driven by:
  - Bookings, already explained in previous slide.
  - Reductions in revenue margin per booking as a result of accelerated investment in the transition to mobile and evolution in change of our revenue model

Expansion

- Solid performance in Q1 FY 2017 driven by strong growth rates in bookings, already explained in previous slide
- In FY 2018, positive growth continues due to revenue diversification strategy, revenue margin performance driven by:
  - Bookings
  - Improvements in revenue margin per booking, all of which have been explained in previous slides
  - Foreign exchange impact headwinds

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Glossary of Definitions

- **"Bookings"** refers to the number of transactions under the agency model and the principal model as well as transactions made under white label arrangements. One Booking can encompass one or more products and one or more passengers.
- **"Adjusted EBITDA"** means operating profit/loss before depreciation and amortization, impairment and profit/(loss) on disposals of non-current assets, certain share-based compensation, restructuring expenses and other income and expense items which are considered by management to not be reflective of our ongoing operations. Adjusted EBITDA provide to the reader a better view about the ongoing EBITDA generated by the Group.
- **Revenue Diversification Ratio** is a ratio representing the amount of Diversification Revenue earned in a twelve-month period as a percentage of our total revenue. Our management believes that the presentation of the Revenue Diversification Ratio measure may be useful to readers to help understand the results of our revenue diversification strategy.
- **Product Diversification Ratio (%)** is a ratio expressed on a percentage basis and calculated by dividing the number of flight ancillary products and non-flight products linked to a Booking (such as insurance, additional check-in luggage, reserved seats, certain additional service options, Dynamic Packages and car rental) by the total number of Bookings for a given period.
- **Acquisition Cost per Booking Index** refers to the most relevant marketing expenses incurred to acquire new customers (encompassing Paid search, Metasearch and Affiliates), divided by the total number of Bookings. For any given period, the ratio is expressed as an index 100, in which 100 is the value of Acquisition Cost per Booking for the 3 months ended on December 2015. The acquisition cost per booking index provides to the reader a view of the trend of one of the main variable cost (marketing cost) of the business.
- **Customer Repeat Booking Rate (%)** refers to the ratio, expressed on a percentage basis, of Bookings made in a quarter by customers who made a prior Booking in the 12 months prior to that quarter divided by the total number of Bookings. The ratio is annualized, multiplying by four and by the ratio of the quarter over the average of last 4 quarters, to eliminate seasonality effects
- **"Core Markets" and "Core Segment"** refers to our operations in France, Spain and Italy.
- **"Expansion Markets"** and "Expansion segment" refers to our operations in Germany, the United Kingdom and the other countries in which we operate, including, among others, the Nordics and countries outside Europe.
- **"Flight Business"** refers to our operations relating to the supply of flight mediation services.
- **"Fixed Costs"** includes IT expenses net of capitalization write-off, personnel expenses which are not Variable Costs, external fees, building rentals and other expenses of fixed nature. Our management believes the presentation of Fixed Costs may be useful to readers to help understand our cost structure and the magnitude of certain costs we have the ability to reduce in response to changes affecting the number of transactions processed.
- **"Non-flight Business"** refers to our operations relating to the supply of non-flight mediation services, as well as other non-travel activities such as advertising on our websites, incentives we receive from payment processors, charges on toll calls and Liligo's metasearch activity.
- **"Non-recurring Items"** refers to share-based compensation, restructuring expenses and other income and expense items which are considered by management to not be reflective of our ongoing operations.
- **"Variable Costs"** includes all expenses which depend on the number of transactions processed. These include acquisition costs, merchant costs and other costs of a variable nature, as well as personnel costs related to call centers as well as corporate sales personnel. Our management believes the presentation of Variable Costs may be useful to readers to help understand our cost structure and the magnitude of certain costs. We have the ability to reduce certain costs in response to changes affecting the number of transactions processed.
- **Classic Customer Revenue** represents customer revenue other than Diversification Revenues earned through flight service fees, cancellation and modification fees, tax refunds and mobile application revenue. Our management believes that the presentation of the Classic Customer Revenues measure may be useful to readers to help understand the results of our revenue diversification strategy.
- **Classic Supplier Revenue** represents supplier revenue earned through GDS incentives for Bookings mediated by us through GDSs and incentives received from payment service providers. Our management believes that the presentation of the Classic Supplier Revenues measure may be useful to readers to help understand the results of our revenue diversification strategy.

Glossary of Definitions

- **Diversification Revenue** represents revenue other than Classic Customer Revenue, Classic Supplier Revenues or Advertising and Metasearch Revenue, earned through vacation products (including car rentals, hotels and Dynamic Packages), flight ancillaries (including reserved seats, additional check-in luggage, travel insurance and additional service options), travel insurance, as well as certain commissions, over-commissions and incentives directly received from airlines. Our management believes that the presentation of the Diversification Revenues measure may be useful to readers to help understand the results of our revenue diversification strategy.
- **Advertising and Metasearch Revenue** represents revenue from other ancillary sources, such as advertising on our websites and revenue from our metasearch activities. Our management believes that the presentation of the Advertising and Metasearch Revenue measure may be useful to readers to help understand the results of our revenue diversification strategy.