eDreams ODIGEO

1H Results presentation

Fiscal Year 2019 1H Results, ending September 30th 2018

November 28th 2018



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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.



1H Results Highlights

- 1H Results Highlights
- KPIs
- Financial Analysis
- Strategy Update
- Outlook
- Appendix

1H Results Highlights

Performance in line with guidance

- Bookings were 5.8 million (-2% year-on-year), Revenue Margin was €267,6 million (+5% year-on-year) and Adjusted EBITDA was €52.6 million (-10% year-on-year)

1H performance reflects strategic progress visible in KPIs

- Bookings performance reflects focus on high quality sustainable business, with higher revenue on fewer bookings
- Mobile bookings up from 37% to 42% in 2Q FY19

Diversification Revenues lead growth and become the largest revenue contributor

- Diversification Revenue up 40%+ in 1H FY19, becoming the largest revenue contributor, more than offsetting intentional reduction in Classic Customer Revenue as we shift the revenue model
- Product diversification ratio up from 50% in 2Q FY18 to 64% in 2Q FY19

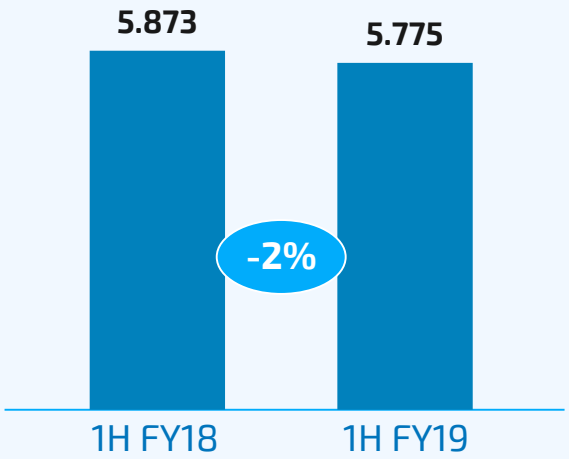
Highly successful refinancing will significantly improve future cash flow

- Reduction of coupon by 300 basis points to 5.5%
- Coupon 80 basis points better than average B2 rated bonds issued in 2018
- €12.7 million savings in annual interest cost

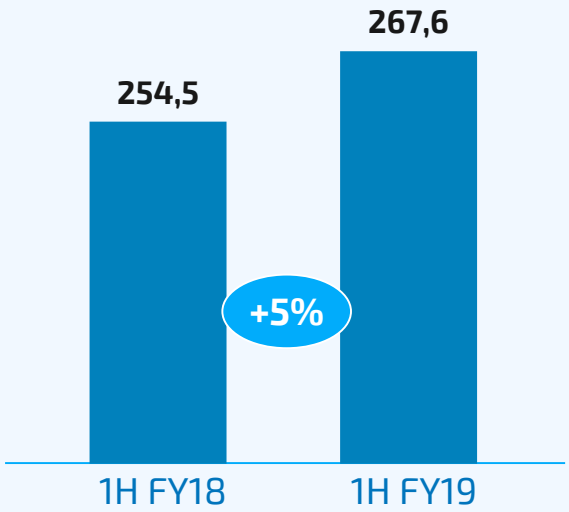
On track for full year guidance

Results on track to meet FY 2019 guidance

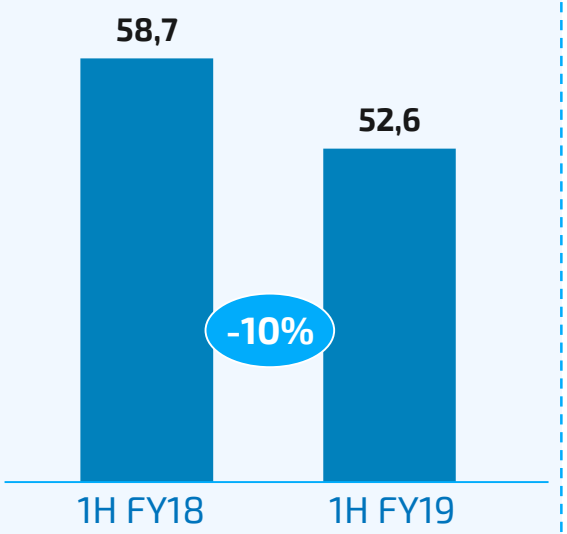
Bookings
In thousands



Revenue Margin
(€ million)



Adjusted EBITDA (*)
(€ million)



Source: Consolidated financial statements, unaudited (*) Definitions of Non-GAAP measures on page 28-30

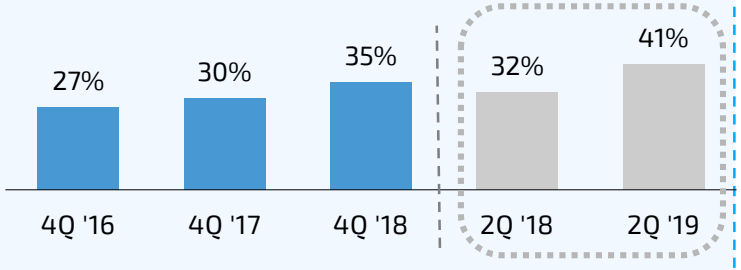


KPIs

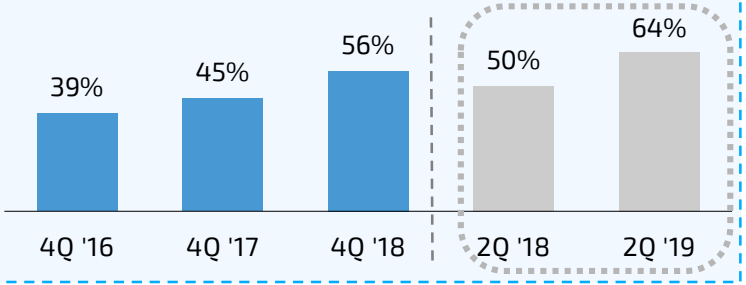
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Revenue diversification on track

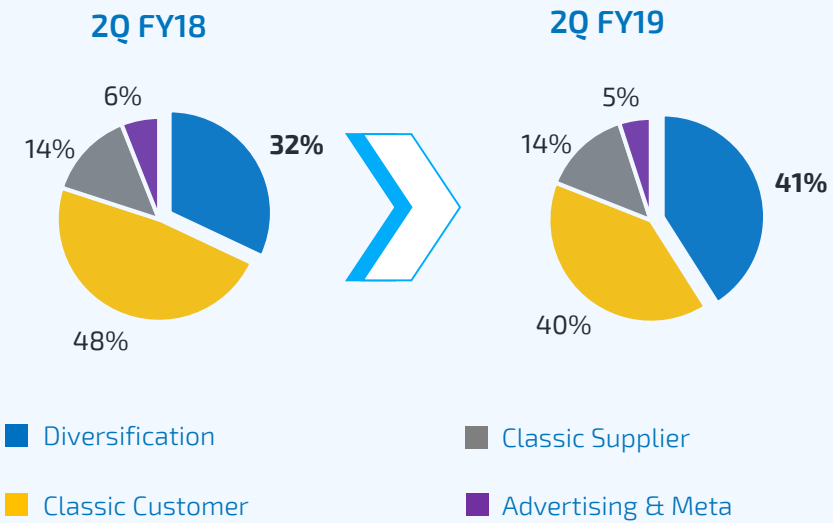
Revenue diversification ratio (**)



Product diversification ratio (**)



Revenue evolution (**)

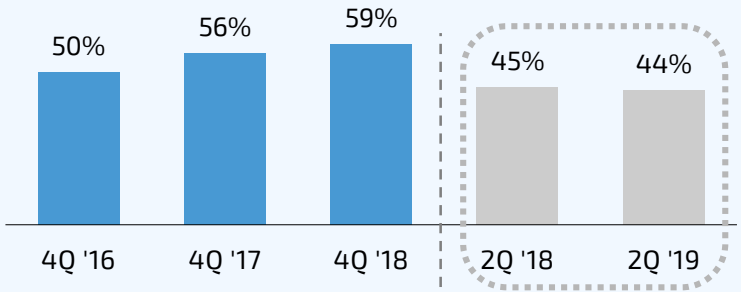


(*) Definitions of Non-GAAP measures on page 28-30

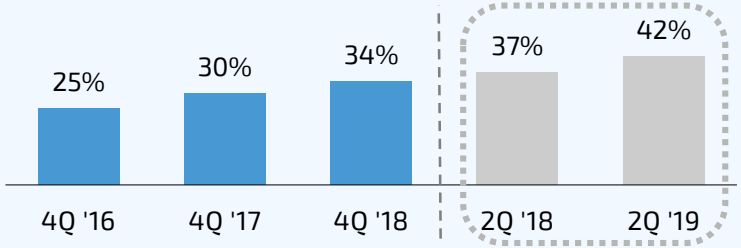
(**) Note: Ratios are calculated on last twelve month basis ending on the displayed quarter

Continued strategic progress as evidenced in our KPIs

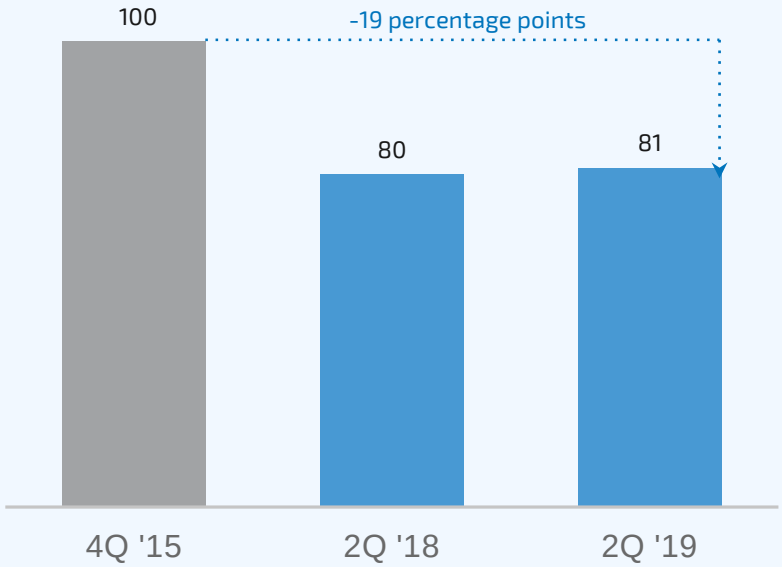
Customer repeat booking rate (Annualised)**



Mobile bookings as share of flight bookings



Acquisition cost per booking index



(*) Definitions of Non-GAAP measures on page 28-30

(**) Repeat booking rate in line with guidance of short term negative impact post implementation of shift in revenue model

Financial Analysis

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Income Statement

(In € million)	2Q FY19	2Q FY18	Var.	1H FY19	1H FY18	Var.
Revenue margin	**132,9**	**129,2**	***3%***	**267,6**	**254,5**	***5%***
Variable costs	(85,1)	(76,1)	*12%*	(175,7)	(153,3)	*15%*
Fixed costs	(21,4)	(21,5)	*(0)%*	(39,2)	(42,5)	*(8)%*
Adjusted EBITDA	**26,5**	**31,6**	***(16)%***	**52,6**	**58,7**	***(10)%***
Non recurring items	(0,7)	(2,0)	*(63)%*	(1,2)	(15,7)	*(93)%*
EBITDA	**25,8**	**29,7**	***(13)%***	**51,5**	**42,9**	***20%***
D&A incl. impairment & results on assets disposals	(5,8)	(5,1)	*13%*	(11,8)	(10,1)	*17%*
EBIT	**20,0**	**24,5**	***(19)%***	**39,7**	**32,9**	***21%***
Financial loss	(40,9)	(10,6)	*286%*	(51,6)	(20,8)	*148%*
Income tax	(1,3)	(0,5)	*139%*	(5,0)	(5,6)	*(10)%*
Net income	**(22,2)**	**13,4**	***n.a.***	**(16,9)**	**6,5**	***n.a.***
Adjusted net income	**6,7**	**11,1**	***(40)%***	**12,4**	**17,1**	***(28)%***

Source: Consolidated financial statements, unaudited

Highlights 1H FY19

- **Revenue margin** increased by 5%
- **Variable Costs** grew 15%, as a result of higher acquisition costs, driven partly by offline TV campaign broadcasted from April to August 2018, as well as new variable costs related to the sale of ancillaries.
- **Fixed Costs** decreased by 8% due to lower IT costs and the smaller positive impact of the application of IFRS 16 Lease accounting.
- **Non recurring items** decreased by 93% mainly due to the absence of the provision related to the social plan in France and Italy applied in FY18.
- **D&A and impairment** increased by 17%, relating to the acquisition of new assets (mainly hardware and software) and the increase in depreciation caused by new lease accounting.
- **Financial loss** increased due to the costs related to the refinancing of our 2021 notes for €31.4 million, the rest broadly in line with 1H FY18.
- **Income Tax** decrease of 10% is primarily explained by the reduction of the US income tax rate from 35% to 21% which became effective starting FY19.

Cash Flow Statement

(In € million)	2Q FY19	2Q FY18	1H FY19	1H FY18
Adjusted EBITDA (*)	**26,5**	**31,6**	**52,6**	**58,7**
Non recurring items	(0,7)	(2,0)	(1,2)	(15,7)
Non cash items	(0,7)	5,8	(2,3)	18,3
Change in WC	(40,5)	(3,9)	(94,1)	(66,6)
Income tax paid	(1,7)	0,2	(9,4)	(1,6)
Cash flow from operating activities	**(17,0)**	**31,7**	**(54,3)**	**(6,9)**
Cash flow from investing activities	**(6,2)**	**(7,7)**	**(13,9)**	**(14,7)**
Cash flow before financing	**(23,2)**	**24,0**	**(68,2)**	**(21,6)**
Other debt issuance/ (repayment)	9,9	(0,2)	9,0	(0,5)
Financial expenses (net)	(43,9)	(19,1)	(44,4)	(19,8)
Cash flow from financing	**(34,0)**	**(19,3)**	**(35,4)**	**(20,3)**
Net increase/(decrease) in cash	**(57,2)**	**4,7**	**(103,6)**	**(41,9)**
Cash (net of overdrafts)	**68,2**	**101,7**	**68,2**	**101,7**

Source: Consolidated financial statements, unaudited (*) Definitions of Non-GAAP measures on page 28-30

Highlights 1H FY19

- **Cash flow from operations decreased by €47.4 million, due to:**
  - Decrease in Adj. EBITDA by €6.1m
  - Higher outflow in working capital with an outflow of €94.1 million in 1H FY19 compared to an outflow of €66.6 million in 1H FY18. The difference of €27.5 million is mainly due to the accelerated investment in the evolution in change of our revenue model and transition to mobile, and the change in mix low cost vs regular for 1H FY19, and the reduced acceptance by our providers of methods of payment with WC benefits for the company.
  - Higher payments of income tax during 1H FY19 of €7.8 million

  Offset by:
  - Lower non recurring items
- **Cash outflow from investing activities decreased by €0.8 million due to:**
  - Lower investments in IT infrastructure
- **Cash flow used in financing increased by €15.1 million due to:**
  - Higher financial expenses in relation to refinancing of 2021 notes
  - Then inclusion of payments done regarding office leases for €1.2 million in 1H FY19 due to the application of IFRS 16 leases starting on April 1, 2018

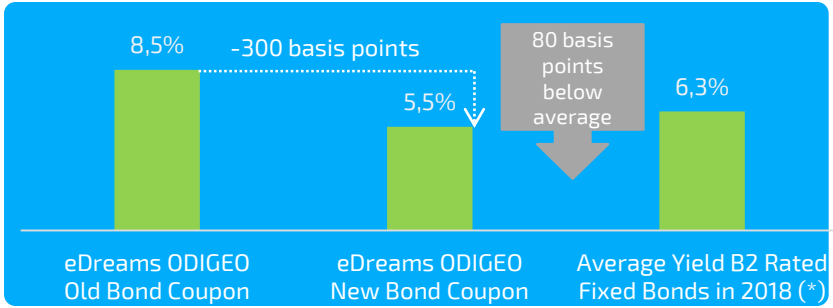
  Offset by:
  - The use of the SS RCF for €14.0 million for a short period of time to execute all the payments related to the refinancing

Debt

- **Successful refinancing** in September led to a reduction of our debt coupon by 300 basis points, a **€12.7** million saving in annual interest, and a significant improvement in future Free Cash Flow generation for the company.
- **SSRCF** increased to **€175 million,** with new banks joining the syndicate
- **Gross Leverage ratio (*)** was up to 4.0x in September 2018 vs 3.8x in 2017, which gives us ample headroom vs our covenant ratio.
- Due to the one-time refinancing costs related to the refinancing, **Net leverage ratio (*)** was also up from 2.9x in September 2017 to 3.3x in 2018

Successful Refinancing

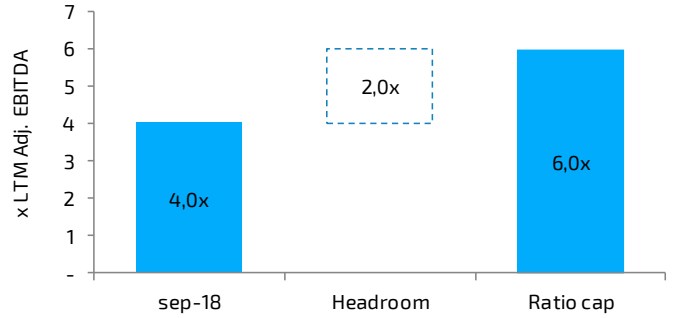
80 basis points below average market yields for B2 rated bonds



(*) Definitions of Non-GAAP measures on page 28-30

Source: Bloomberg

Gross Leverage Ratio (*)
(Total Gross Financial Debt / LTM Adjusted EBITDA)



NOTES: Covenant figures unaudited

Debt Details

	Principal (€ Million)	Rating	Maturity
Corporate Family Rating		Moodys:B1 S&P: B - Outlook: Stable	
2023 Notes	425	Moodys:B2 S&P: B	01/09/23



Strategy Update

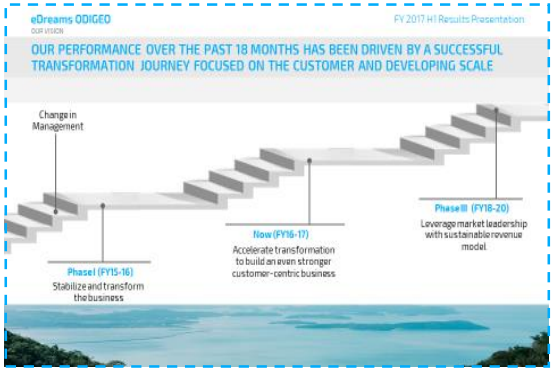
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Successful transformation journey

Our performance over the past 3 years has been driven by a successful transformation journey focused on the customer

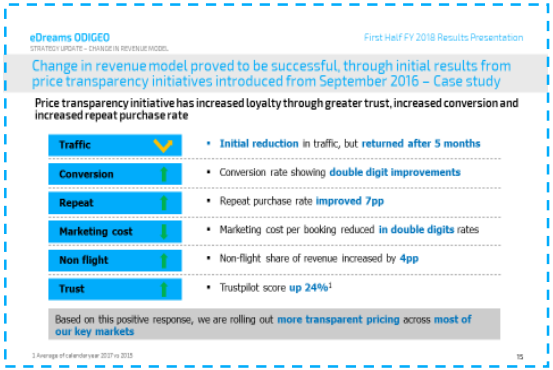
Nov '16

Announced shift in revenue model



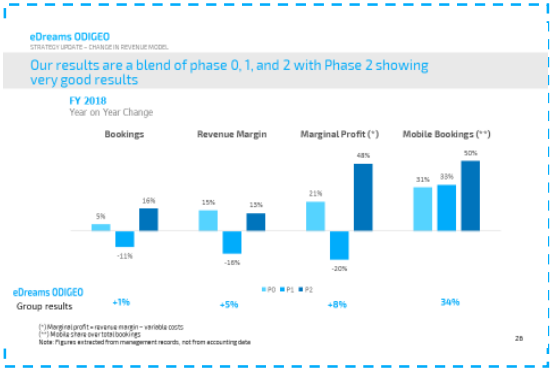
Nov '17

1st Case Study (Market A): Initial results from price transparency initiatives



June '18

Announced acceleration of the transformation and overall results



Nov '18

2nd Case Study (Market B)

Next slide

Second Case Study- Market B

Change in revenue model continue to prove to be successful, through initial results from price transparency initiatives introduced in one of our major markets

Price transparency initiative has increased increased conversion, created a more diversified revenue model, reduced acquisition costs and increased repeat purchase rate

Traffic ↘	▪ **Initial reduction** in traffic, but **returned after 4 months**
Conversion (*) ↑	▪ Conversion rate **up double digits**
Repeat Booking Rate ↑	▪ Repeat booking rate **improved 1%**
Acquisition Costs ↓	▪ Acquisition cost per booking index reduced **by 5pp**
Revenue Diversification ↑	▪ Revenue diversification ratio increased **by 9pp**
Attachment rate ↑	▪ Product diversification ratio increased **by 16pp**

Note: Q2 FY 19 vs Q2 FY 18 . (*) Performance normalized for mobile/desktop split, post implementation of transparency initiatives, vs legacy price display.

Revenue diversification
for expansion in a fast growing flight ancillaries market

MARKET

Flight ancillaries market in Europe

80b€



Gross sales in 2017
+22% Growth
Versus 2016

SOURCE: IdeaWorks Company

ACHIEVED

- Flight ancillaries **attachment rate** to flight bookings **growing 27% YoY**
- **Over €100 million** sold of flight ancillaries in the last 12 months
- Launched **new products** that are **not available through airlines** (Ex. Cancellation for Any reason)
- **More availability of products post-booking**
- **Increased number of touch points/cheap channels (Ex. CRM, Mobile, My Trips…)**

WHAT'S NEXT

- Continue to **increase focus on post-booking**, driving more value for customers beyond the initial transaction
- **Develop** further our **existing products**, such as the market-leading Cancellation for Any Reason
- **Increase the range of products** we offer to our customers to make sure they have everything they need for their trip

Revenue diversification
for expansion in a fast growing Dynamic Packages market

MARKET

Dynamic packages market in Europe

110b€



Gross sales in 2017
Double Digit Growth
Versus 2016

SOURCE: Company information

ACHIEVED

- DP **attachment rate** to flight bookings **growing 28% YoY**
- **4 times more bookings with our own inventory**
- Grew **mobile contribution** over 100% YoY, including native apps
- Grew sales of **DP in Telesales** over 75% YoY
- Increased **weight of traffic coming from cheap channels** (ex., CRM contribution in traffic doubled)

WHAT'S NEXT

- **Increase** number of **touch points**
- **Enhancements on DP funnel** (both mobile and desktop) to continue to improve booking flow and user experience
- **Launch of dedicated post booking funnel** for flight customers with special offers
- Better mapping to **cover more locations**



Outlook

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Reiterate full year Outlook

Outlook Statement

In FY19, we will continue to invest and accelerate the strategic shift in our revenue model, including increased price transparency display in some countries. We expect this strategy to adversely affect our financial results in the short term, but to improve our strategic position and long-term value, both for customers and shareholders.

Reflecting this strategy, and as guided, we expect improvements to start materialising in the second half of the fiscal year, as the strategic initiatives start delivering the desired and guided results.

Based on the strategic actions taking place in the following two quarters, we expect 3Q to be relatively in line with 2Q performance, except for adjusted EBITDA that we expect better year-on-year performance in 3Q vs 2Q FY 19, as the catch-up in supplier incentives of FY18 will not affect the comparison.

For 4Q we expect to see improved performance in Revenue Margin and Adjusted EBITDA, whilst Bookings will still be affected by the short term impact of the shift in our revenue model.

All of the above will lead to achieve all our annual targets for Bookings, Revenue Margin and Adjusted EBITDA.

Outlook FY 2019

Bookings

-4% to flat vs FY 2018

Revenue Margin

In excess of €509 million

Adjusted Ebitda

€118 million

Outlook FY 2020

Adjusted Ebitda

€130-145 million

Why
eDreams Odigeo?

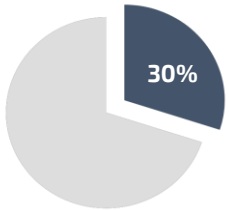


Winner in Europe

Significant revenue diversification

World leading capabilities

European OTA flight market share



SOURCE: Internal analysis; Amadeus bookings data; Phocuswright European Travel Overview 13th Edition

Appendix

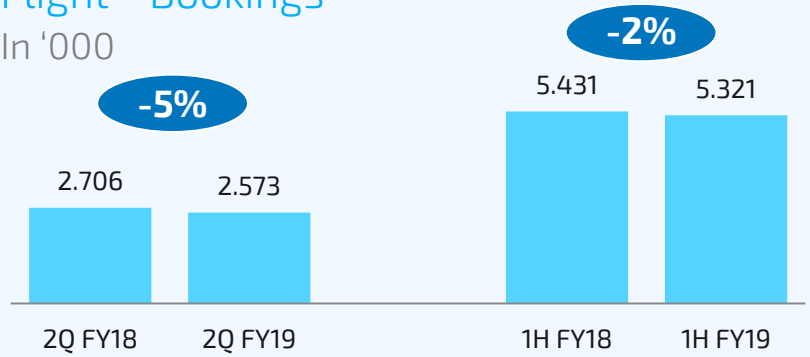
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Flight and Non-Flight Bookings

Revenue diversification drives growth in Non-Flight Business

Flight - Bookings

In '000



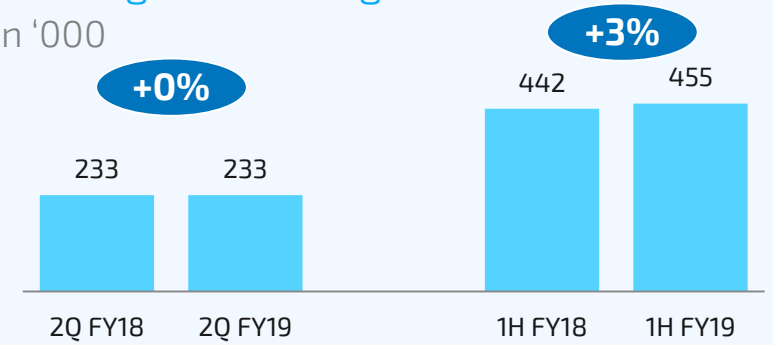
Flight

First half result was driven by:

- The short term impacts of our revenue model switch including changes in price display.
- We continue to shift our revenue model towards increased price transparency in order to improve our business model, and create better customer experience

Non Flight - Bookings

In '000



Non-Flight

Non-flight increase in bookings is as a consequence of our diversification strategy including better attachment of non-flight products.

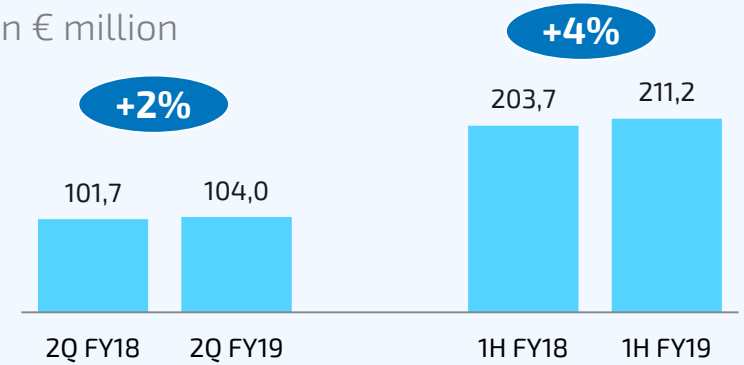
Source: Consolidated financial statements, unaudited

Flight and Non-Flight Revenue Margin

Revenue diversification drives growth in Flight & Non-Flight Businesses

Flight – Revenue Margin

In € million



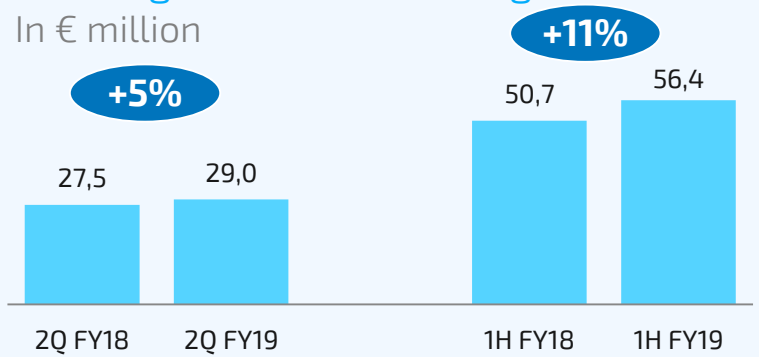
Flight

In H1 FY 2019, revenue margin performance driven by:

- Bookings, already explained in previous slide.
- An increase of 6% in revenue margin per booking, resulting from the better attachment to our flight products of our ancillaries
- Partly offset by:
  - The effect of changes in our pricing and price display to improve the customer experience.

Non Flight – Revenue Margin

In € million



Non Flight

In H1 FY 2019, non-flight revenue margin growth driven by the revenue diversification strategy:

- Bookings, already explained in previous slide.
- An increase of 8% in revenue margin per booking supported by the successful implementation of our revenue diversification strategy
  - This growth was primarily driven by the increase in revenue margin per booking in our Dynamic Packages and Car Rental businesses.

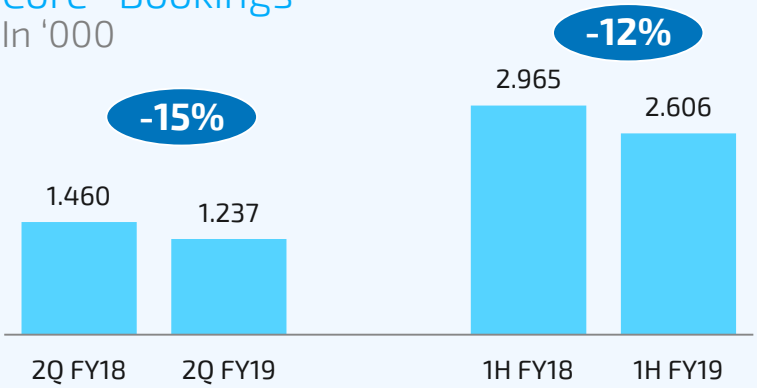
Source: Consolidated financial statements, unaudited

Core and Expansion Bookings

Revenue diversification drives growth in the Expansion Markets

Core- Bookings

In '000



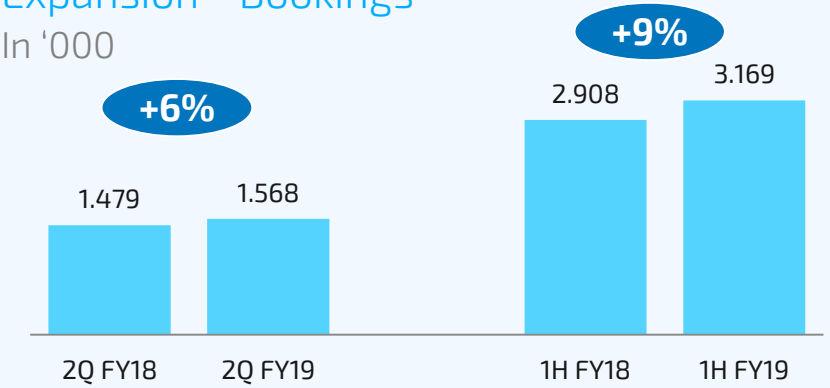
Core

In H1 FY 2019, result was driven by:

- The decrease in Core bookings by 12% as a result of our investment in the evolution of the revenue model and our transition to mobile.
- We continue to shift our revenue model towards increased price transparency in order to improve our business model, and create better customer experience

Expansion - Bookings

In '000



Expansion

In H1 FY 19, positive growth of 9% is principally due to the successful implementation of our strategic initiatives in our expansion markets, as well as to investments made in our business and revenue diversification.

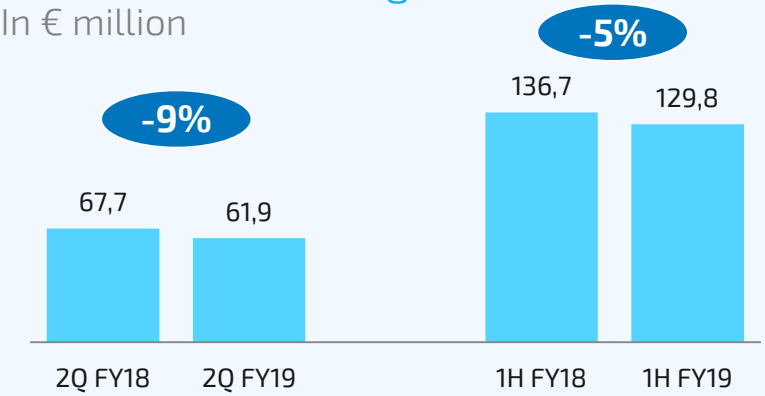
Source: Consolidated financial statements, unaudited

Core and Expansion Revenue Margin

Revenue diversification drives growth in the Expansion Markets

Core – Revenue Margin

In € million



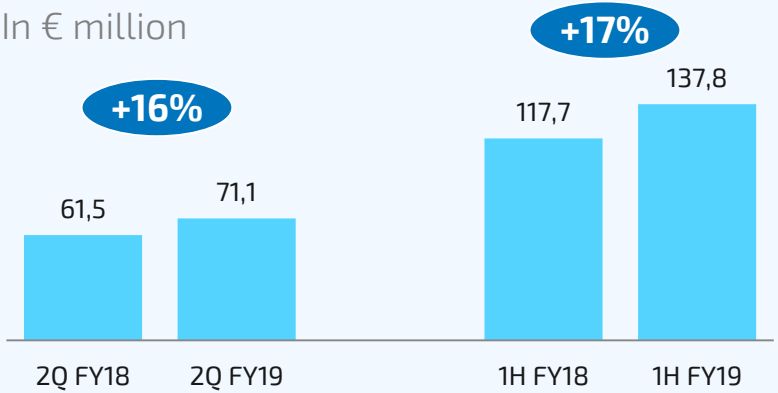
Core

In H1 FY 2019, revenue margin performance driven by:

- Bookings, already explained in previous slide.
- Partly offset by:
  - An increase in Revenue Margin per Booking of 8%, driven by the execution of our Diversification strategy

Expansion – Revenue Margin

In € million



Expansion

In H1 FY 19, positive growth continues due to revenue diversification strategy, revenue margin performance driven by:

- Bookings
- Improvements in revenue margin per booking of 7% driven by the increase of flight related ancillaries and other Diversification Revenue per Booking in line with our diversification strategy in our expansion markets

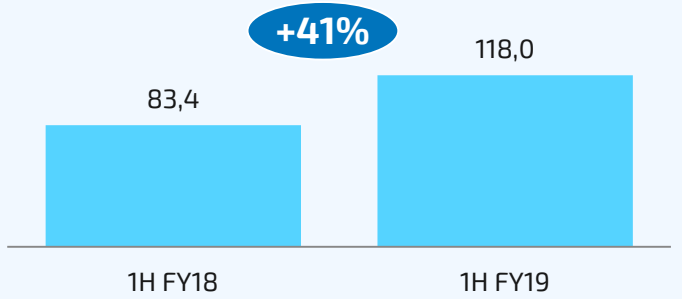
Source: Consolidated financial statements, unaudited

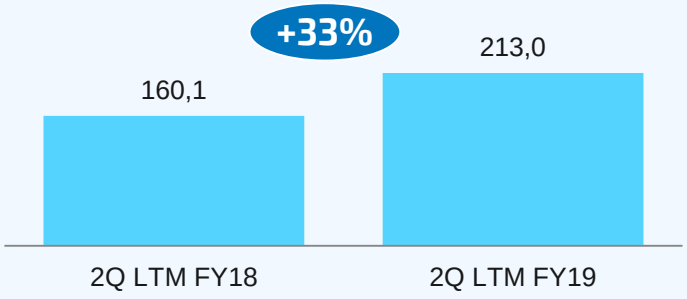
Diversification vs Classic Customer Revenues

Diversification Revenues lead growth and become the largest revenue contributor, while we consciously reduce our Classic Customer Revenue

Diversification – Revenue Margin

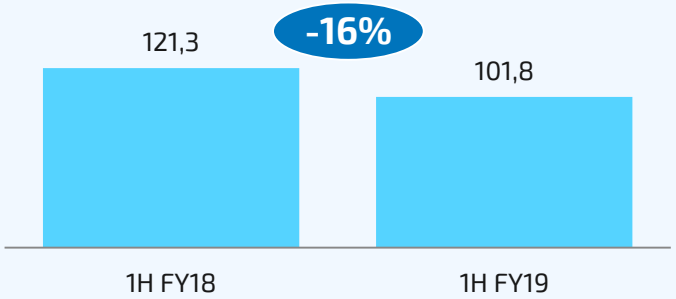
In € million

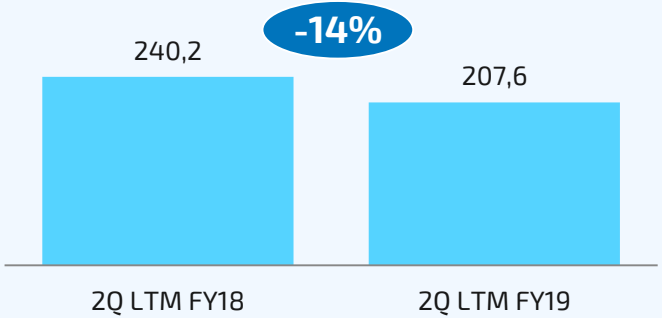




Classic Customer – Revenue Margin

In € million





Source: Consolidated financial statements, unaudited

eDreams ODIGEO

Glossary of Definitions

Non-reconcilable to GAAP measures

- 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.
- Gross Bookings refers to the total amount paid by our customers for travel products and services booked through or with us (including the part that is passed on to, or transacted by, the travel supplier), including taxes, service fees and other charges and excluding VAT. Gross Bookings include the gross value of transactions booked under both agency and principal models as well as transactions made under white label arrangements and transactions where we act as a "pure" intermediary whereby we serve as a click-through and pass the reservations made by the customer to the relevant travel supplier. Gross Bookings provide to the reader a view about the economic value of the services that the Group mediates.

Reconcilable to GAAP measure

- 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 provides to the reader a better view about the ongoing EBITDA generated by the Group.
- Adjusted Net Income means our IFRS net income less 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 Net Income provides to the reader a better view about the ongoing results generated by the Group.
- EBIT means operating profit/loss. This measure, although it is not specifically defined in IFRS, is generally used in the financial markets and is intended to facilitate analysis and comparability.
- EBITDA means operating profit/loss before depreciation and amortization, impairment and profit/loss on disposals of non-current assets. This measure, although it is not specifically defined in IFRS, is generally used in the financial markets and is intended to facilitate analysis and comparability.
- (Free) Cash Flow before financing means cash flow from operating activities plus cash flow from investing activities.
- Gross Financial Debt means total financial liabilities considering financing cost capitalized plus accrued interests and overdraft. It includes both non-current and current financial liabilities. This measure offers to the reader a global view of the Financial Debt without considering the payment terms.
- Gross Leverage Ratio means the total amount of outstanding Gross Financial Debt on a consolidated basis divided by "Adjusted EBITDA". This measure offers to the reader a view about the capacity of the Group to generate enough resources to repay the Gross Financial Debt.
- Net Financial Debt means "Gross Financial Debt" less "cash and cash equivalents". This measure offers to the reader a global view of the Financial Debt without considering the payment terms and reduced by the effects of the available cash and cash equivalents to face these future payments.
- Net Income means Consolidated profit/loss for the year.
- Net Leverage Ratio means the total amount of outstanding Net Financial Debt on a consolidated basis divided by "Adjusted EBITDA". This measure offers to the reader a view about the capacity of the Group to generate enough resources to repay the Gross Financial Debt, also considering the available cash in 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.
- Revenue Margin means our IFRS revenue less cost of supplies. Our management uses Revenue Margin to provide a measure of our revenue after reflecting the deduction of amounts we pay to our suppliers in connection with the revenue recognition criteria used for products sold under the principal model (gross value basis). Accordingly, Revenue Margin provides a comparable revenue measure for products, whether sold under the agency or principal model.

Glossary of Definitions

Other Defined Terms

- **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.
- **Booking** 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.
- **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.
- **Core Markets and Core Segment** refers to our operations in France, Spain and Italy.
- **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
- **Customer Relationship Management (CRM)** represents the set of activities that will encourage our customers to repeat business with us: visit our site again and make another booking. To be successful we need to understand our customers' behaviours and needs: we collect, analyse and use data to make each of those interactions with customers as personalised and relevant as possible.
- **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.
- **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.
- **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.
- **Fixed Costs per Booking** means fixed costs divided by the number of bookings. See definitions of "Fixed costs" and "Bookings".
- **Flight Business** refers to our operations relating to the supply of flight mediation services.
- **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.

Glossary of Definitions

Other defined terms

- **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.
- **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.
- **Variable Costs per Booking** means variable costs divided by the number of bookings. See definitions of "Variable costs" and "Bookings".