Excellent progress on our Destination 2027 ambitions

Yves Gerster
Chief Financial Officer

Dear all,

Following the transformational combination with Autogrill in 2023, 2024 marked the first full year trading as one company, Avolta.

Despite continued geopolitical concerns, demand for travel and the travel experience remained strong in 2024. Indeed, momentum picked up towards the end of the year, underpinning our confidence that growth is sustainable over the foreseeable future.

For 2024, full year CORE turnover reached CHF 13,473 million, representing organic growth of 6.3% versus the previous year. This organic growth is all the more impressive when considering the substantial headwind from Argentina, costing the group 140 basis points of growth. This was possible thanks to Avolta's significant geographical diversification (70 countries, over 1,000 locations, over 5,100 stores and restaurants) which reinforces our resilience and defensive qualities, shielding Avolta from market-specific risks.

Further to the completion of the business integration, with the realization of CHF 85 million synergies in line with expectations, management's shift of focus has moved to optimizing Avolta's critical mass with the ambition of enhancing medium-term growth opportunities, cash conversion, and returns generation as per our "Destination 2027" strategy.

In this regard, Avolta delivered a solid 2024 profit performance with CORE EBITDA of CHF 1,267 million, representing a margin of 9.4%, +40 basis points (bps) year-on-year. Furthermore, 2024 Equity Free Cash Flow (EFCF) reached CHF 425 million, an increase of 32% year-on-year with an 33.5% conversion of CORE EBITDA, comfortably ahead of our Destination 2027 medium-term annual target of +100-150 bps per annum.

Profitable, cash generative growth and returns generation.

All of the aforementioned metrics performed in-line or above our initial expectations set out at the beginning of the year. This was thanks, in part, to the continued strong global travel demand as well as reinforced focus on profitable cash generative growth and returns' generation.

In October 2023, we redefined our Destination 2027 medium-term capital allocation policy. Our commitment is to return one third of annual EFCF to shareholders by way of a dividend. For 2023, we paid a dividend of CHF 0.70 per share on May 22, 2024, equating to a total payout of CHF 104 million from our 2023 EFCF of CHF 323 million. The dividend for 2024 of CHF 1.00 that the Board of Directors proposes to the Annual General Meeting in May 2025 again reflects about one third of our EFCF achieved in fiscal year 2024.

For the remaining two thirds of the annual EFCF, we will continue to prioritize strategic, cash funded, small to mid-sized bolt-on acquisitions, in markets where we can enhance our geographic footprint. The purchase of the Free Duty concession, a Hong-Kong based cross-border MTR duty-free operator, which closed on December 18, 2024, is a prime example of this bolt-on strategy.

Beyond, and consistent with our reinforced capital allocation policy as presented in October 2024, as cash generation continues to gather pace, we have the ambition of distributing medium-term excess cash over and above our 1.5x - 2.0x leverage target range to shareholders by way of share buybacks. In 2024, we purchased CHF 202 million treasury shares and subsequently cancelled 6.1 million shares on December 17, 2024, representing 4% of outstanding shares in issue, and taking the number of outstanding shares from 152.6 million to 146.5 million.

In accordance with the reinforced capital allocation policy, Avolta announced and subsequently launched on January 27, 2025 a public share buyback program for the purpose of the subsequent cancellation of up to CHF 200 million worth of Avolta AG registered shares. This initiative is expected to end no later than December 31, 2025.

Avolta delivered a solid 2024, with EFCF at CHF 425 million, an increase of 32% year-on-year.

This share buyback strategy now constitutes an integral part of our medium-term capital allocation policy with the aim of optimizing our balance sheet and capital structure.

Further to ratings agency upgrades by Moody's on March 27, 2024, from Ba3 to Ba2, and S&P on April 3, 2024, from BB to BB+, we refinanced our EUR 800 million October 2024 2.5% maturity in April, and extended our RCF in October by 2 years to 2029 with the margin reduction on this latter enabling interest savings of approximately CHF 10 million per annum going forward.

Our December 31, 2024, net debt amounted to CHF 2,663 million. Financial liabilities consist of 77% fixed and 23% floating loans and notes, resulting in a weighted-average interest rate of debt of 3.4%. Our constant FX, LTM net debt to CORE EBITDA leverage ratio was 2.1x, down from 2.6x as at December 31, 2023, and is the lowest leverage level since 2011. We had CHF 756 million cash equivalents on the balance sheet and additional liquidity of CHF 1,458 million resulting from undrawn credit facilities.

Avolta has a history of addressing debt financing well ahead of maturity by aligning loans and timing to the respective market environment to achieve the best possible financing. While current available liquidity amounts to CHF 2,214 million, thereof CHF 756 million available in cash and cash equivalents, we are mindful of the early 2026 CHF 500 million convertible and CHF 300 million senior note maturities.

Stakeholder engagement.

During 2024, we have continued the close relationship and ongoing interaction with our shareholders, investors, bondholders, equity and debt analysts, as well as banks and rating agencies in more than 448 interactions, thereof 185 roadshows, conferences and meetings, and 263 conference calls and emails.

Reinforced operational improvement culture.

Over the medium-term, we continue to foster a culture of operational improvement to fuel profitable growth, drive cash flow generation, and enhance returns. Hereby, the finance teams will support our pursuit of superior profitability driven by a logic of zero-based budgeting, focused on disproportionally allocating resources to activities that make the most impact, while further standardizing and leveraging technology to simplify work and operations. In addition to the budgeting discipline, Avolta continues to systematically and actively manage its concession portfolio, with stronger focus on the evaluation of full profitability, cash flow contribution, and returns.

Diligent cost and cash flow management.

For 2025, while macroeconomic and geopolitical developments remain uncertain, we look forward to the year with confidence, supported by recent demand momentum across the travel-related sectors, the positive outlook for global passenger trends, and our reinforced resilient and defensive credentials. With our global exposure, we are naturally well hedged with respect to FX fluctuations from an operational perspective,

We are now more resilient than ever and seek to continue optimizing our global critical mass with the goal of underpinning future profitable growth, cash conversion and returns generation.

however, it is important to consider translational effects from currency developments when comparing turnover with previous years.

I would like to thank our customers, shareholders, bondholders, banks, analysts, rating agencies, business partners, and key advisors for their continued trust in Avolta and their ongoing support to initiate and execute the right measures, helping us to emerge stronger and be in the best position to take advantage of the opportunities we see on our way ahead.

Kind regards,

Yves Gerster