

Revenue down 59.7% YOY, Lagardère restores cash generation

While Lagardère Travel Retail's revenue was down 59.7% year on year, ongoing group-wide cost-cutting plans helped create better performance in the second half. Despite the difficulties of the year, the company retained solid liquidity, at €1.6 billion by the end of the year.

Lagardère Group aligned its focus to concentrate on two areas: publishing and travel retail, and profits/losses were affected by the acquisition of other companies in both of these areas, including the acquisition of International Duty Free, which created a positive benefit.

Revenue for the year was €4,439 million (US\$5,370 million), down 38% from 2019. The group posted a loss before finance costs and tax of €549 million (US\$664 million) in 2020 vs a profit of €411 million (US\$497 million) in 2019.

| €m | Revenue | | Change (%) | |
|-------------------------|--------------|--------------|--------------|---------------|
| | 2019 | 2020 | consolidated | like for like |
| Lagardère Publishing | 2,384 | 2,375 | -0.4 | -0.8 |
| Lagardère Travel Retail | 4,264 | 1,720 | -59.7 | -60.4 |
| Other Activities* | 288 | 229 | -20.5 | -20.7 |
| Target scope | 6,936 | 4,324 | -37.7 | -38.3 |
| Non-retained scope** | 275 | 115 | -58.2 | -22.8 |
| LAGARDÈRE | 7,211 | 4,439 | -38.4 | -37.9 |

* Lagardère News (Paris Match, Le Journal du Dimanche, Europe 1, Virgin Radio, RFM and the Elle brand licence), the Entertainment businesses, and the Group Corporate function.

** Operations disposed (Lagardère Active), excluding Lagardère Sports, classified as a discontinued operation in accordance with IFRS 5.

In Q4 2020, Lagardère's travel retail business fell 64.9% like for like compared with the same period in 2019, to €380 million (US\$460 million). For the year, revenue totalled €1,720 million (US\$2081 million) down 59.7% on a consolidated basis and down 60.4% like for like.

The company's Asia-Pacific revenue was down 56.2% as a whole, but revenue varied wildly throughout the region, with Pacific countries under long-term lock whereas mainland China posted 18.2% revenue growth. The company's new contract in Hainan's Duty Free zone took effect in mid-December 2020, so sales there will not have an impact until Q1 2021.

Lagardère Travel Retail reported negative recurring EBIT of €353 million (US\$427 million), down €505 million (US\$611 million) compared to 2019.

| €m | 2019 | 2020 |
|---|------------|--------------|
| Profit (loss) | 11 | (688) |
| Restructuring costs | 42 | 55 |
| Gains/losses on disposals | (134) | 7 |
| Impairment losses on goodwill, property, plant and equipment, intangible assets and investments in equity-accounted companies | 34 | 151 |
| Amortisation of acquisition-related intangible assets and other acquisition-related expenses | 91 | 106 |
| Impact of IFRS 16 on concession agreements | 6 | 74 |
| Tax effects on the above items | (22) | (70) |
| Profit (loss) from discontinued operations | 207 | 20 |
| Adjusted profit (loss) | 235 | (345) |
| o/w attributable to minority interests | (35) | 15 |
| Adjusted profit (loss) - Group share* | 200 | (330) |

* Alternative performance measure, see definition at the end of the press release.

Flow-through

The flow-through ratio was better than had been expected in part because of the following actions:

- renegotiation of contractual terms, essentially for concession agreements (decrease in fixed rental payments, reduction in the rate of variable payments);
- reduction in the number of points of sale opened and adjusted opening times in line with traffic flows and the health situation;
- adjustments to payroll costs, with the introduction of furlough in countries where these were available, or failing this, redundancies;
- reduction in incidental overheads as a result of either cost savings or negotiations (as appropriate), including marketing costs, travel expenses, consulting fees, maintenance and cleaning costs, and royalties paid.

| €m | 2019 | 2020 |
|---|-------------|--------------|
| Revenue | 7,211 | 4,439 |
| Group recurring EBIT | 378 | (155) |
| Income (loss) from equity-accounted companies* | 6 | (58) |
| Non-recurring/non-operating items | (33) | (319) |
| Impact of IFRS 16 on concession agreements | 60 | (17) |
| Profit (loss) before finance costs and tax | 411 | (549) |
| Interest expense on lease liabilities | (85) | (74) |
| Finance costs, net | (53) | (76) |
| Profit (loss) before tax | 273 | (699) |
| Income tax benefit (expense) | (55) | 31 |
| Profit (loss) from discontinued operations | (207) | (20) |
| Profit (loss) for the period | 11 | (688) |
| Minority interests | 26 | (28) |
| Profit (loss) - Group share | (15) | (660) |

* Before impairment losses.

In its equity-accounted companies, Lagardère experienced a loss of €58 million (US\$70 million) in 2020 vs an income of €6 million (US\$7.3 million) in 2019, mainly due to the lack of trading at Société de Distribution Aéroportuaire, Relay@ADP and Lagardère & Connexions.

Non-recurring/non-operating net loss before finance costs and tax totaled €319 million (US\$360 million) in 2020. These included write-downs of concessions, the amortisation of intangible assets and expenses relating to acquisitions and disposals, including €94 million for Lagardère Travel Retail, restructuring costs mainly because of the pandemic, at €36 million for Lagardère Travel Retail, losses on disposals and concession agreements totaling €17 million (US\$20.6 million)

In addition, net finance costs came in higher at €76 million (US\$92 million), and the company's total debt rose, though the interest expense on lease liabilities dropped to €74 million (US\$89.5 million) vs €85 million (US\$102.8 million) in 2019, because of renegotiation of lease terms.

The combined loss for the year was €688 million (US\$832 million), mainly due to the impact of the pandemic on Lagardère Travel Retail.

Cash flow and working capital

In 2020, operating cash flow was negative €138 million (US\$166.3 million) in H1 and positive €106 million (US\$128 million) in H2. The negative cash flow was due to the pandemic's effect on Lagardère Travel Retail whereas the positive second half was largely because of good performance at Lagardère Publishing.

Working capital experienced an outflow of €17 million (US\$20.5 million) vs an inflow of €34 million (US\$41 million) in 2019.

CASH FLOW FROM (USED IN) OPERATIONS AND INVESTING ACTIVITIES

| €m | 2019 | 2020 |
|--|------------|--------------|
| Cash flow from (used in) operations before changes in working capital and income taxes paid | 495 | (32) |
| Changes in working capital | 34 | (17) |
| Income taxes paid | (52) | (38) |
| Cash flow from (used in) operations | 477 | (87) |
| Purchases/disposals of property, plant and equipment and intangible assets | (183) | (169) |
| Free cash flow* | 294 | (256) |
| <i>o/w free cash flow excluding changes in working capital*</i> | 260 | (239) |
| Purchases of investments | (287) | (36) |
| Disposals of investments | 323 | 101 |
| Cash flow from (used in) operations and investing activities | 330 | (191) |

* *Alternative performance measure*, see definition at the end of the press release.

Free cash flow

The Group's free cash flow was a negative €256 million in 2020, compared to a positive €294 million in 2019. The sharp decline in free cash flow is mainly a result of the impact of the health crisis on the Group's businesses, particularly in the first half of the year. The Group generated free cash flow of €255 million in second-half 2020, led by the various initiatives rolled out at Lagardère Travel Retail and a good performance from Lagardère Publishing.

Financial position

Showing the group's improving financial position in the latter half of the year, net debt fell by €315 million (US\$380 million) in the second half, from €2,048 million (US\$2,469 million) on 30 June 2020 down to €1,733 million (US\$2,089 million) on 31 December 2020

The group held €1,637 million (US\$1,973 million) in available liquidity at year end, including €687 million (US\$828 million) in cash and short-term investments and €950 million (US\$1145 million) on the syndicated credit line.

Lagardère has taken a number of steps to improve cash flow and liquidity including cost-cutting measures, acquiring a state-backed loan of €465 million and amending and extending the maturity of its revolving credit facility to March 2023.

The Group holds that it has sufficient liquidity to cover its financing requirements in 2021, both in relation to funding its operations and to repaying €493 million in debt falling due (including €158 million in commercial paper at 31 December 2020). This analysis is based on a conservative 13% year-on-year rise in passenger traffic in 2021.

The future of Lagardère Travel Retail

As of February 2021, forecasts published by various organisations including IATA indicate growth in air passenger traffic in 2021 at between 13% and 50% versus 2020. Lagardère Travel Retail will continue with earnings protection initiatives and cash-control efforts, especially as regards working capital and capital expenditure, which resulted in a very favourable flow-through ratio of 19.9% in 2020, a benchmark in its industry.