



## **An opportunity to install best-in-class corporate governance**

March 2016

Information hand-out for institutional investors – strictly confidential

# gategroup AGM - RBR and Cologny mission statement

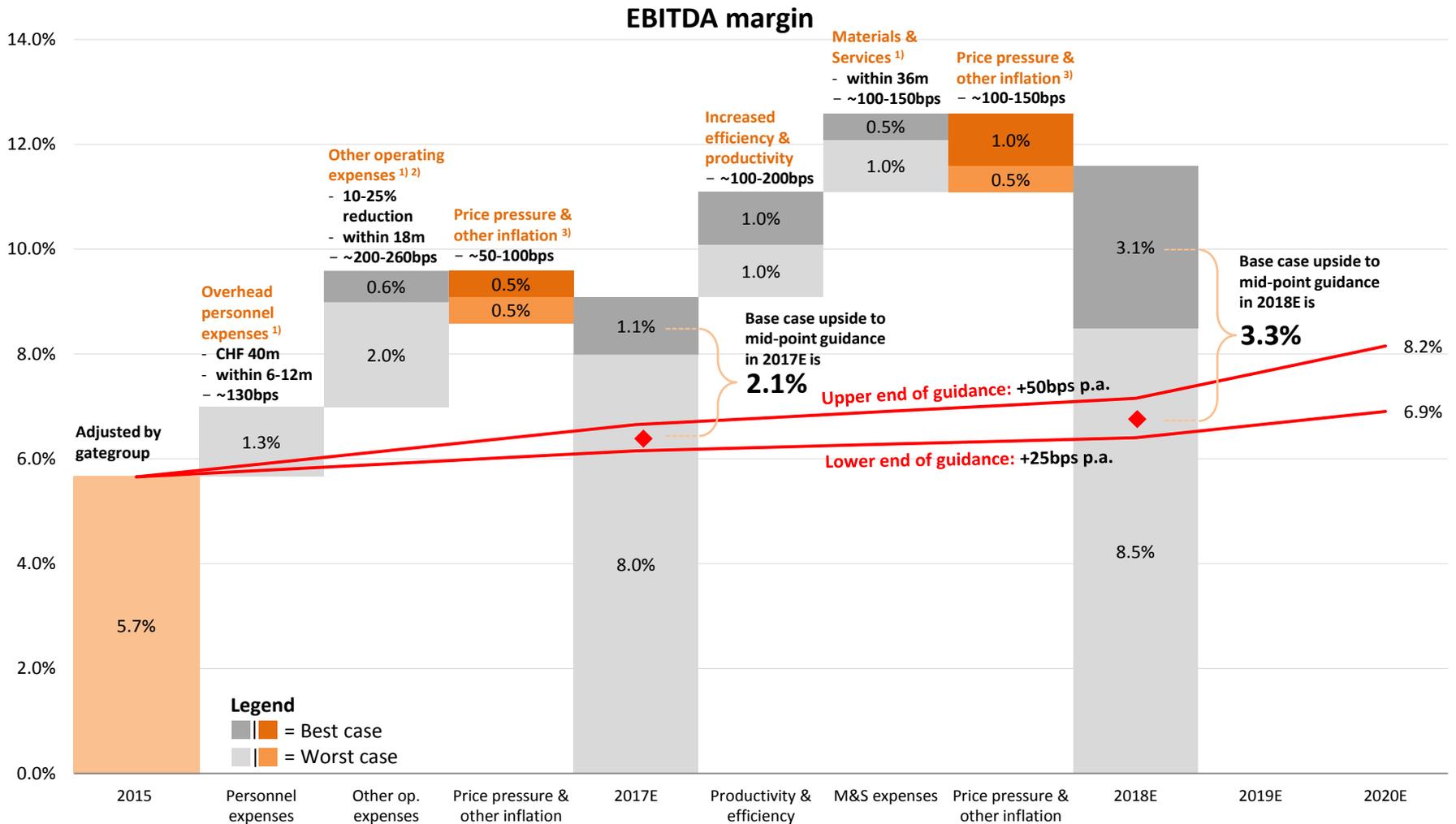


RBR and Cologny aim to reinstate best-in-class corporate governance at gategroup.

RBR and Cologny are convinced that gategroup as a world market leader in a fast growing market with significant entry barriers has substantial room to improve growth and margins.

RBR and Cologny are convinced that gategroup's share price has the potential to triple over a three year time period if best-in-class corporate governance and the right framework are put in place.

# Guidance looks like a low ball vs. other information given



Source: RBR estimates

1) cf. Full-year 2015 presentation, p. 5: "Organization efficiency", cut of 300 FTEs results in run-rate saving of 20m (implies CHF 66,600 per FTE, we thus estimate CHF 40m)

2) cf. Full-year 2015 presentation, p. 5: "Cost efficiency": Savings to be at midpoint of 10-25% savings rate; applied ratio to base of CHF 400m mentioned by gategroup

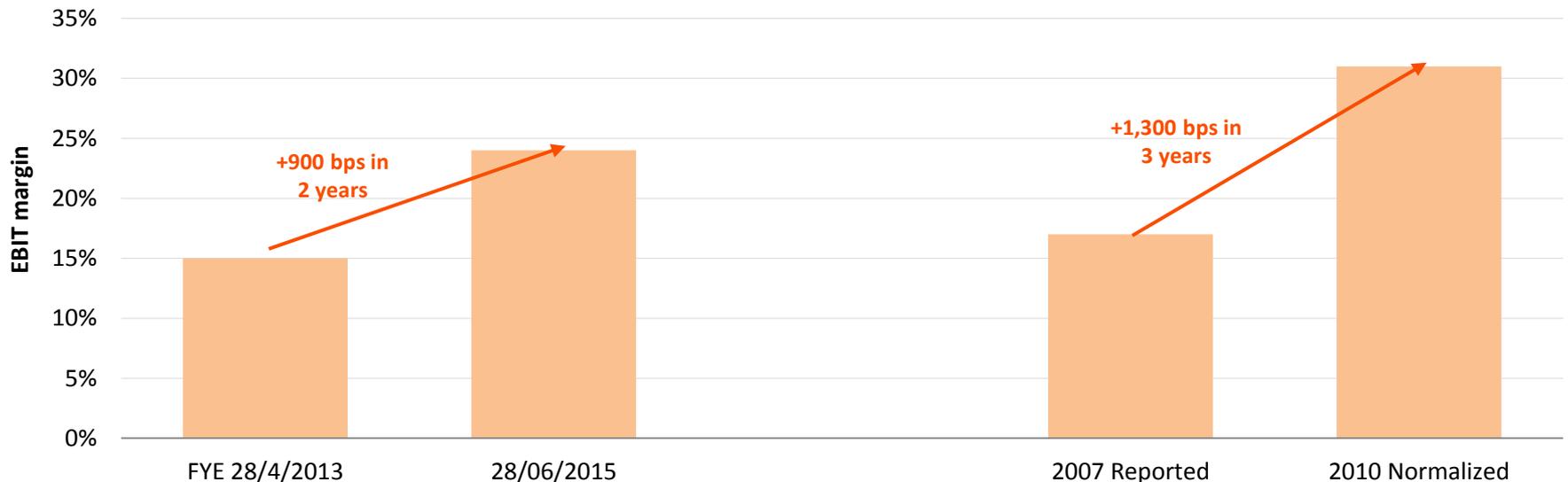
3) cf. Half year 2015 presentation, p. 31: "Analysis of top-12 contract renewals since 2011 revealed y-o-y impact of price discounts awarded to retained contracts"

# Zero-Based-Budgeting – What you can achieve

## Heinz and AB InBev show: EBIT margins can be improved massively with ZBB

- EBIT margins at the two companies have increased by +900 bps resp. +1300 bps within 2 and 3 years after the introduction of ZBB – this shows what can be achieved with the right ambition and persistence in implementation

EBIT margin improvement after introduction of zero based budgeting



# Scenario analysis

Year	2015A		2018E					
CHFm			Base Case		Bull Case		Bear Case	
Revenues	2'996		3'274	3% p.a.	3'469	5% p.a.	3'087	1% p.a.
EBITDA	142	4.8%	262	8.0% margin	347	10% margin	216	7.0% margin
Depreciation	-60		-60		-60		-60	
EBIT	82	2.7%	202		287		156	
Non-recurring items	-42		-		-		-21	
Financial Expenses	-85		-20		-10		-25	
EBT	-44		182		277		110	
Tax	-18	-39.6%	-40	22% ETR	-55	22% ETR	-28	25% ETR
Minorities	-1		-2		-2		-2	
<b>Net profit reported</b>	<b>-63</b>		<b>140</b>		<b>219</b>		<b>81</b>	
PER 2018			15.0		16.0		14.0	
Implied equity value 2018			2'099		3'512		1'128	
Shares outstanding	26.1		26.1	NOSH = 2015	26.1	NOSH = 2015	26.1	NOSH = 2015
<b>Current share price</b>	<b>37.70</b>		<b>37.70</b>		<b>37.70</b>		<b>37.70</b>	
<b>Per share (CHF)</b>			<b>80.35</b>		<b>134.46</b>		<b>43.19</b>	
<b>Upside</b>			<b>113.1%</b>		<b>256.7%</b>		<b>14.6%</b>	

- Depending on the speed and success of the turnaround the operating performance of the group should improve in line with the above-listed scenarios.
- Every scenario has a different valuation and different upside potential.
- There is significant upside opportunity while downside risk remains limited.

Source: RBR estimates, Bloomberg, share price as of March 10, 2015

\* excl. Inflight Service Group ("IFS") acquisition (CHF 250m revenues, CHF 13.4m pre-synergy EBITDA)

# Poor corporate governance 1: Lack of collegiality



**The Board of Directors of gategroup proposes to not re-elect Gerard van Kesteren**

**Press release February 16<sup>th</sup>:**

Naming, singling out and publicly shaming board members who cast a dissenting vote or opinion destroys collegiality, pre-empts the plurality of views and leads to an unhealthy state of affairs on any board.

gategroup has clearly chosen the wrong path in corporate governance.

## Poor corporate governance 2: Breaking agreements

### gategroup decides to unilaterally terminate an agreement with shareholders:

- Letter dated February 3 2016: Andreas Schmid and Remo Brunschwiler wrote to RBR & Cologny that the board of gategroup would discuss RBR & Cologny candidates for the board of directors during the board meeting on February 18.
- Contrary to this statement, gategroup issued a press release on February 16, stating it will reject any board replacements.
- Interestingly enough, gategroup did not even know who RBR & Cologny would recommend to the board of directors, with the exception of the proposal of Rudolf Bohli.
- In the same press release, gategroup announced it would not propose Gerard van Kesteren for re-election.

## Poor corporate governance 3: Misleading communication

### gategroup is in violation of ad hoc publication & releases intentionally misleading information

- gategroup handles stock exchange regulations on ad hoc publicity arbitrarily to suit its narrow interests.
- Last year, gategroup received our formal request regarding agenda items and motions on February 11 and did not publish this ad hoc relevant information until March 2.
- Furthermore, the press release contained intentionally misleading information. gategroup confirmed four of our five board candidates and talked about a fifth unconfirmed candidate.
- The fifth candidate was in fact Paolo Amato, and 10 days later his name showed up on the list of candidates of gategroup.

## Poor corporate governance 4: Lack of HR due diligence

### The Board of Directors of gategroup does not select its personnel with due care and diligence:

- The appointment of Mr. David de la Torre as Chief Commercial Officer of gategroup was executed without a proper assessment by the board and has consequently proved to be a fiasco.
- Given that he resigned within less than six months for "personal reasons" and already secured a new job within days (!) of his resignation, our initial suspicions are confirmed that he was appointed for reasons other than his qualifications and ambitions.
- The Nomination and Compensation Committee did not conduct an exit interview or assessment of Mr. de la Torre.

# Poor corporate governance 5: No time for board duties

## Too many mandates by chairman Andreas Schmid

- Chairman of the Zurich Airport
- Chairman of Oettinger Davidoff
- Chairman of gategroup
- Chairman of Helvetica Capital AG
- Board member of Barry Callebaut
- Board member of Steiner
- Board member of Wirz Partner Holding
- Chairman of the board of trustees of Avenir Suisse, a political think-tank

**In addition there is a potential conflict of interest between his role as chairman of Zurich Airport and his role as chairman of gategroup**

## Poor corporate governance 6: Defamation campaign

Chairman Andreas Schmid, vice chairman Remo Brunschwiler and board member Anthonie Stal orchestrated a defamation campaign against one of the RBR & Coligny candidates for the board ahead of the settlement of last year's AGM:

- **April 1 2015:** E-mail from Rudolf Bohli to major shareholders confirming the verbally agreed candidates for the board of directors.
- **April 2 2015:** E-mail with signed letter attached from Rudolf Bohli to Andreas Schmid confirming that the proposed candidate of RBR has a clean record (cc to major shareholders).
- **April 2 2015:** E-mail: major shareholder confirms receipt of email and is voicing his hope that things can finally move forward.
- **April 2 2015:** Andreas Schmid informs Rudolf Bohli via telephone that board has overruled the chairman and decided against the candidate of RBR & Coligny.
- **April 2 2015:** E-mail from Andreas Schmid to major shareholder that RBR & Coligny and gategroup agreed on a different candidate from RBR & Coligny and reached a settlement.

# The proposal to shareholders

We have decided to give shareholders an opportunity to have a better board of directors. It is not our intention to gain undue weight or control of gategroup's board

(Re-)election

**Gerard van Kesteren (current)**

Former CFO of Kühne + Nagel

**Nils Engel**

Entrepreneur and former CEO of BZ Bank

**Rudolf Bohli**

Entrepreneur, investors & founder of RBR Capital

Dismissal

**Andreas Schmid**

**Remo Brunswiler**

**Anthonie Stal**

As a further sign that it is not our intention to gain undue weight on or control of gategroup's board, we specifically decided not to propose a candidate for chairmanship

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