Annual results 2009-2010
December 15, 2010
Pavillon Gabriel

Compagnie des Alpes
Ski areas
Leisure parks

 

Contents

2009/2010: solid financial performance in a challenging business environment

- Modest growth in margins and operating results, despite a fall in sales like for like
  - Sales rose 3.6% following the consolidation of Deux Alpes (DAL) but declined 3.1% like for like
  - EBITDA rose 0.8%, with a slight decline like for like (-6%) due to the Group's dynamic management of current expenses
  - Excluding exceptional items, operating income declined less than 5% (around 10% like for like), in line with EBITDA
  - Margin rates:
    - EBITDA/Sales = 28.1% vs. 28.9% in n-1 on a reported basis
    - Operating income/Sales = 12.8% vs. 14.4% in n-1 on a reported basis
- Net attributable income of €42 million, up 4.7% on a reported basis
- Significant free cash flow (€38.5 million), above the average of the last three years and despite slower business in parks


2009/2010: implementation of strategic reorientation of company management

Reorientation of investment policy, now more focused on organic-growth tools

- **Increased selectivity for ski areas: 16% of sales (vs. 18.6% in 2009 and 19.5% In 2008)**
- **Launch of targeted, ambitious projects for leisure parks: 16.4% of sales (vs. 8.5% in 2009 and 12.8% in 2008)**

Cost and expertise skill synergies:

- **Reduced headcount and lower costs at headquarters**
- **New commercial and industrial initiatives:**
  - **Transversal marketing: use of park partners and sponsors for activities in ski areas, participation in the creation of new low-cost offers of TOs to improve the occupancy rate in commercial accommodations, development of new online sales tool for all ski areas, etc.**
  - **The benefits of industrial consolidation: optimisation of investment procedures, increased number of grouped calls for tender, etc.**

Structuring of light-asset growth model for international application

- **Introduction of an advisory and assistance service for the implementation and management of ski areas and leisure parks, aiming to develop new markets with low capital risk => creation of a dedicated subsidiary, CDA Management**
- **Finalization of Sindibad agreement in Morocco in July 2010 (engineering, operating assistance, and licensing) and discussions under way on management of the largest ski area in Sotchi (Russia)**

2009/2010: resolute continuation of strategy for optimizing assets

Sale of non strategic assets

- **Disposal of Saas Fee Bergbahnen/SFB (October 2009) and Courmayeur/CMBF (May 2010) resorts**
- **Discussions under way concerning a project to sell a group of leisure parks (Bagatelle, Aquarium de Saint Malo, Touraine, Aquaparc, Hellendoorn, and PleasureWood Hills)**

=> Divestment of sites that are not central to the Group's new strategy

=> A dual target of strategic clarification and optimized use of Group capital

Acquisition of strategic and promising sites

- **Acquisition of 2Alpes (December 2009):** a premier-quality asset that meets the strict acquisition criteria of CDA's consolidation strategy for ski areas
- **Agreements concerning the acquisition of Futuroscope by CDA (October 2010**): a park that fits perfectly the CDA acquisition strategy (third-largest French park, strong brand, synergies through shared skills and expertise)

=> For these last two operations, a**cquisition conditions in line with CDA standards**

  - » **Attractive price**
  - » **Optimized acquisition structure that enhances the Group's expertise as operator and optimizes its capital employed**

- **Larger stake in STVI (Val d'Isère)**

2009/2010: a new financial structure that, through increased visibility and strategic flexibility, will facilitate Group development ambitions

Step 1: Refinancing bank debt through prepayment: implementation of a new syndicated loan

- **Financial debt (term loan of €300 million and RCF of €250 million) maturing in five years (2015)**
- **Availablity over five years of a reserve of additional liquidity that can be accessed at any time under secure and favorable conditions**

Step 2: Launch a €100 million capital increase

- **Increase shareholders' equity through aggressive measures to enhance the Group's capacity for growth**
- **Successful fund raising in a highly volatile market environment**
  - **Subscribed by all shareholders present at the board meeting**
  - **Subscription rate nearly 145%**

Step 3: Bond issuance of €200 million

- **Access to debt market under attractive conditions: coupon of 4.875% maturing in seven years**
- **A successful initial issue**
  - **Highly diversified book despite the un-rated issue, and small size of the deal**
  - **Recognition by the market of CDA's solid profile and strategy**

- **For the first time in the Group's history, successful application of a new financing section, which guarantees future access to diverse financial resources**


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Results 2009/2010: ski areas

- Ski-area business stands firm
  - **Sales grew 11.2%, to €365 million, boosted by a significant contribution by Deux Alpes Loisirs (DAL), acquired in December 2009 (+€33.4 million in lift sales).**
  - **Slight decline (-0.9%) like for like, due solely to lower revenue from real-estate transactions (€2.6 million vs. €4.9 million in 2009)**
  - **Slight increase (+0.2%) of ski lifts on a like-for-like basis**
- End-of-season assessment: visitor numbers down 3%, to 13.9 million skier days, which is compensated for by a rise of 3.2% in average spending per skier day
- After two record-setting years, visitor numbers remain higher than the level reached in in 2006-2007, like for like

Results of ski areas

In € millions	2009/2010	2008/2009	2008/2009 like for like	Change	Change like for like
Sales	**365.0**	**328.3**	**368.3**	**11.2%**	**- 0.9%**
EBITDA	**126.2**	**117.2**	**129.5**	**7.7%**	**- 2.5%**
EBITDA/Sales	34.6%	35.7%	35.2%	- 110 bp	- 60 bp
Operating income	**70.4**	**67.4**	**74.1**	**4.5%**	**- 5.0%**
Operating income/Sales	19.3%	20.5%	20.1%	-120 bp	- 80 bp

- Highly positive contribution from Deux Alpes Loisirs (DAL) as of the very first year
  - **EBITDA: + €11 million; operating income: + €5 million**
- Limited deterioration of operating margins, despite a decline in business, because of rigorous cost management.
  - **EBITDA: up 7.7% on a reported basis ; nearly flat on a like-for-like basis (small decrease due solely to land-sales transactions)**
  - **Operating income: little change**
  - **Margins remain high. Excluding property sales, the EBITDA/Sales ratio declined only 0.4 point.**

Results 2009/2010: leisure parks

- Sales from leisure parks down 6.5%, to €231.4 million
- Adjusted for the closing of Aqualibi (in Belgium) for renovation, sales from leisure parks fell 5.3%, to the same level as that of 2008, after a record-beating 2009.
  - **Visitor numbers down 6.3%, to 9 million visitors**
  - **Visitor spending continued on a positive trend, with growth of 1%**
- Unfavorable external factors (weather, economic conditions)
- Exceptional factors (Aqualibi and Planète Sauvage dolphinarium closed) and unfavorable comparison basis
  - **Aqualibi = €4 million in 2009 sales / 400,000 visitors (reopening planned for April 2011)**
  - **Impact of the administrative closing of the Planète Sauvage dolphinarium on the beginning of the season (opening in 2009 => +45% of visitor numbers)**
  - **2009, record year: exceptional growth in a context favorable for locally available entertainment: +6%, incl. +10.5% in France**
- Change of +0.3% on visitor (admission) spending: a policy in line with medium-term ambitions for value creation
  - **General promotional campaign is tactical and focused, not overly aggressive or opportunistic**
  - **This is so as not to decrease margins over the long term, as Group strategy is focused on improving quality, content, and the enhancement of parks with potential for value creation and, consequently, better margins**
- Solid level of spending in boutiques and restaurants: +7.7% and + 2.7% vs. n-1

Results of leisure parks

In € millions	2009/2010	2008/2009	Change
Sales	**231.4**	**247.5**	**- 6.5%**
EBITDA	**44.2**	**54.3**	**- 18.1%**
EBITDA/Sales	19.1%	21.9%	- 280 bp
Operating income	**9.4**	**21.8**	**- 56.9%**
Operating income/Sales	4.1%	8.8%	- 470 bp

- Cost-control measures compensated significantly for the effects of slower business on EBITDA.
- EBITDA decreased 14.0% when adjusted for exceptional items related to the closing of Aqualibi (for renovation) and the slower than expected process for obtaining authorization for the public display of dolphins at Safari Africain - Planète Sauvage, yielding a margin of 20.2%.
- Operating income of leisure parks declined €12.4 million, penalized by €4.1 million of exceptional items
  - **Lawsuit with former operator of Mer de Sable: net impact of €1.7 million**
  - **Provisions for impairment of sites slated for disposal: €2.4 million**
- Adjusted for these exceptional items, operating income declined €8.3 million, in line with EBITDA.

Corporate results

In € millions	2009/2010	2008/2009	2007/2008
Sales	0.2	0.2	1.4
EBITDA	- 2.5	- 4.9	- 3.5
EBIT	- 3.5	- 6.2	- 4.2

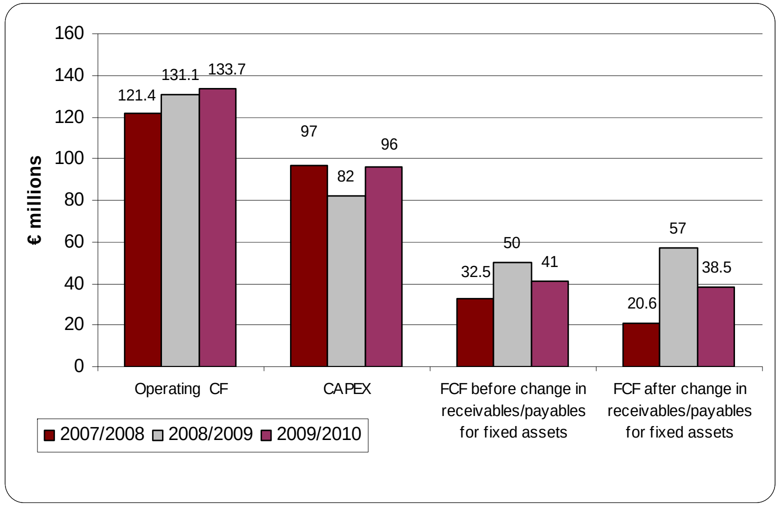
- Net improvement of the holding compay's contribution to Group EBITDA: +€2.4 million from restructuring.

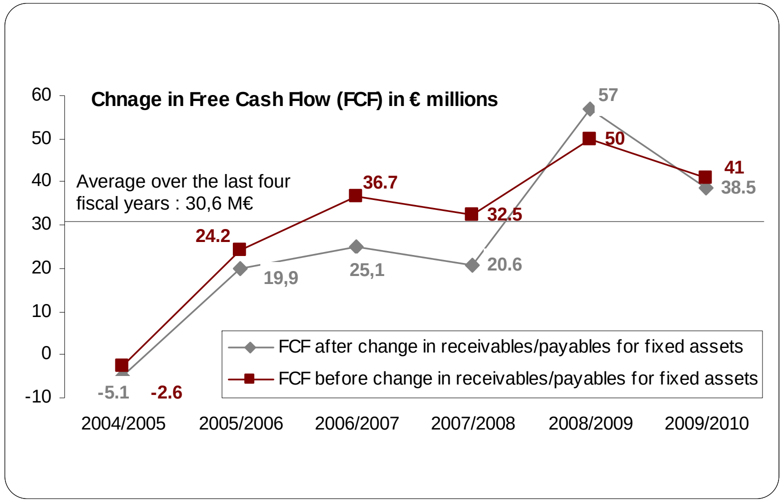

Group results

In € millions	2009/2010	2008/2009	2008/2009 like for like	Change	Change like for like
Sales	596.6	575.9	616.0	+ 3.6%	-3.1%
EBITDA EBITDA/Sales	167.9 28.1%	166.6 28.9%	178.9 29.0%	+ 0.8%	- 6.1%
Operating income Operating income/Sales	76.3 12.8%	83.0 14.4%	89.7 14.5%	- 8.2%	- 14.9%
Net borrowing costs	- 18.1	-19.0	- 18.9	- 4.7%	- 4.2%
Taxes	- 15.9	-23.8	- 26.1	- 33.2%	- 39.1%
Equity affiliates	3.3	0.3	0.3		
Discontinued operations	1.5	2.6	2.6		
Group net attributable ncome	42.0	40.2	42.9	+ 4.7%	- 2.1%

- Cost-control measures combined with the positive impact from the consolidation of DAL compensated for the business downturn => **Limited impact on operating income.**
- **Borrowing costs reduced by €2.5 million** because of more favorable interest rates and lower debt, compensated for partially by adjustments for the anticipated impact of the STVI operation after the close of the fiscal year.
- **Considerable improvement in earnings of equity affiliates**, which had been hurt in 2009 by impairment provisions of €1.9 million.
- **Lower tax expense** due mainly to application of legislative changes in foreign subsidiaries. Effective tax rate of 27% vs. 36%.
- **Group net attributable income grew 4.7%, to €42 million.**

Cash flow





- Cash flow from operating activities was stable, at €134 million
- Gross CAPEX: +€14 million
  - **Selectivity in ski areas: €58 million vs. €61 million in n-1, or 16% of SA sales**
  - **Recovery following an all-time low in leisure parks: €38 million vs. €21 million in n-1, or 16.4% of LP sales (8.5% in 2009)**
- FCF came to €38.5 million, in line with the average over the last three years despite the Group's continued investment policy of dynamic selectivity.
  - **Record FCF from ski areas of over €40 million**
  - **Continued recovery CAPEX policy for leisure parks despite the economy, in line with the strategic directions announced**

Financial structure and profitability

In € millions	2010	2009	2008
Shareholders' equity	**741.0**	**591.9**	**564.3**
Net debt	**332.6**	**461.9**	**563.3**
Net debt / Shareholders' equity	44.9%	78.0%	99.8%
Net debt / EBITDA	1.98	2.77	3.25
ROE	**6.4%**	**7.8%**	**7.4%**
ROCE (incl. goodwill)	**5.1%**	**5.7%**	**5.3%**

- Lower debt due to asset disposals, capital increase, and FCF
- Interest rate stable at 3.26% (3.21% in n-1)
- Change in profitability ratios:
  - **Profitability of shareholders' equity impacted by capital increase**
  - **ROCE impacted by business downturn**

Shareholder returns

	2010	2009	2008
Net earnings per share	€1.74	€2.27	€2.12
Dividend per share	€1.0	€1.0	€1.0
Total dividend	€24.1 million	€17.7 million	€17.1 million
Payout rate	57.5%	44.0%	47.2%
Share price at 9/30**	€20.84	€21.35	€25.75
Gross share-price yield at 9/30	4.8%	4.7%	3.9%

* Submitted to the Annual Meeting of Shareholders of March 17, 2011

** Price adjusted for payment of dividend and capital increase

- Dividend of one euro per share, without option for stock dividend, submitted to the Annual Meeting of Shareholders
  - Higher net income
  - Greater financial flexibility
  - Company attentive to investment return
  - Payout rate exceptionally high, reflecting the Company's confidence in future growth

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- Outlook 2011 and strategic directions
- Conclusion

Outlook 2011: ski areas

- A school-vacation schedule whose effects are balanced-out over the entire winter season 2010/2011
  - **Christmas' falling on a Saturday is counterbalanced by foreign holidays in the first week of January**
  - **Easter comes late this year**
- Very good snow conditions at the start of the season
- The usual difficulty in forecasting visitor numbers, aggravated by growth in last-minute reservations, is offset by an overall positive environment (advance sales, seasonal skipass, instructors, etc.)

Outlook 2011: ski areas

- Standard investments in line with the Group's focused, selective investment policy
  - Lifts ~60%, snowmaking ~15%, grooming ~10%, slope maintenance ~5%, other ~10%
    - Emphasis on slope maintenance and on improving snowmaking networks where necessary, on signage (e.g., total replacement of signposts on the 2Alpes slopes)
    - Streamlining of ski-area equipment through the implementation of long-term equipment that provides value to skiers via confort and performance, and that allows for optimal management (examples: Saulire gondola at Méribel, 6 debrayable chair-lift Diable at Deux Alpes)
- New services and script activity orientation in ski areas for differentiation
  - Emphasis on existing strengths of the ski area via better information to customers (trail maps, signage, i-phone application, etc.)
  - Creation of specific, differentiating activities: 2nd edition of "Neiges de Culture" (Cultured snows) at Serre Chevalier; "Acticross", a family-oriented activity on the slopes, in partnership with Actimel at four Group resorts in December 2010.
  - Participation in the development of symbolic sports events, such as the X-Games at Tignes and Les Etoiles du Sport at La Plagne
- Energized marketing:
  - Development of "receptive" internal TOs, based on Paradiski Tour and Deux Alpes Voyages, to help improve the occupancy rates of private and professional accommodations
  - Offer of attractively priced packages in partnership with TOs in order to improve the occupancy rate of entry-level accommodations that usually have little or no publicity but that will benefit from attractive web-based publicity

Outlook 2011: leisure parks

Success of specific products outside the summer season

- **Toussaint/Halloween**
  - **Parc Astérix: nearly 100,000 visitors (+13%), and an all-time record of over 27,000 visitors on October 31**
  - **Belgium: Walibi Belgium Monster Festival, +15% incl. +30% over the long weekend at Toussaint**
  - **Netherlansds: Walibi World +15%**
- **Christmas**
  - **“La Grande Trêve de Noël” at Parc Astérix: “Christmas trees” in progress. The success of the period will also depends on the success of openings to the general public.**
- **Sales up 5.3% at December 12, 2010**

Outlook

- **Reopening of Aqualibi in April 2011 => €4 million in FY sales (400,000 visitors)**
- **Opening of Café Grévin in January 2011**
  - **Extension of the museum on the Parisian Grands Boulevards by 350m², a third of which is dedicated to Musée Grévin ticket sales**
  - **Additional EBITDA guaranteed (subcontracted services in exchange for revenue fee)**
  - **Additional offer useful for brand development and expansion outside France**
- **Dynamic and selective investment policy focused on substantial content creation and new, exciting attractions: new attractions at Mer de Sable and Walibi World, new show and positioning at Bellewaerde, new rides in four Walibi parks, entertainment at Astérix, etc.**

 

Outlook 2011: leisure parks—the Walibi rebranding

- **Ambition: for the brand to enter the Top 10 favorite entertainment brands of ‘tweens (8-12 years old) and become the standard for family entertainment**
- **Objectives**
  - **Transform and rebrand** existing parks, starting in April 2011, to make them more attractive, increase visitor spending, and raise the number of repeat visitors.
    - Four parks concerned--two in France, one in Belgium, and one in the Netherlands—that accommodate 2.3 million visitors each year with sales of €64 million
  - **Budget sharing** for communication, entertainment, boutiques, film production
  - **Raise the public’s awareness of Walibi outside the four parks:**
    - Use of various supports: comics, cartoons, songs
    - Brand exposure at other CDA sites (LPs and SAs)
    - Development of licensing in order to enter the world of ‘tweens outside the parks
  - **Develop a Walibi park turnkey policy** for export to other geographic zones (e.g., Walibi’s Sindibad contract in Casablanca, Morocco)
- **2011: brand launched in various forms in existing parks**
  - **First teasers under way**
- **Project requires little capital ~€15 million over four years, incl. ~€11 million in 2011 and €3 million in 2012** :
  - **Production of multimedia content (Film 4D), new entertainment infrastructures (including 4D movies), mascot and costumes, scenery, signposts**
- **Strong organic growth ~€10 million of additional sales expected by 2015, for compound annual growth rate of 5%**
  - **Brand-premium impact on Admission visitor spending and significant increase in Boutique visitor spending**
- **Added revenue (corners, licenses)**
- **Controlled operating-cost structure => EBITDA margin expected to improve in the medium term**

Outlook 2011: leisure parks—changes in consolidation scope

Consolidation of Futuroscope planned for early 2011:

- Third-largest French leisure park in 2009, which has recovered dramatically since 2003 (+500,000 visitors).
- 1.7 million visitors in 2009 (+6%), sales = €79.5 million, EBITDA = €11.2 million, EBIT = €7.5 million, and net income = €7.7 million
- FY 2010 expected to be even better
- The financial conditions for the transaction and Futuroscope's operating-performance structure should provide an immediately accretive acquisition, all other things being equal, for the Group's principal profitability ratios

Outlook for the disposal of a group of leisure parks for strategic clarification and optimized employment of Group capital

- Discussions under way for the disposal on a group of leisure parks with a consortium composed of H.I.G. Capital France and Laurent Bruloy, a well-known professional in the industry and former head of Aqualud in Le Touquet
- Parks concerned: Grand Aquarium in Saint Malo, Bagatelle, Aquarium du Val de Loire, Mini-Châteaux, Pleasurewood Hills, Hellendoorn, and Aquaparc in Le Bouveret
  - 1.55 million visitors in 2009-2010
  - Sales of €28.3 million in 2009-2010
  - EBITDA of €4.9 million in 2009-2010
- Project in accordance with the strategic focus announced at the end of 2008: arbitrages on assets that do not further the Group's industrial strategy (development of major Group brands, ability to integrate sites around shared approaches to value creation)
- CDA plans to accompany the launch of this structure on a transitional basis while remaining a minority shareholder
- This project is at a sufficiently advanced stage that allows the information process and consultations with labor-relations bodies to begin


Strategic directions: a consolidated Group focused on optimizing skills and its leader position

In industrial terms

- Development of an engineering and construction subsidiary for installations that concern all ski areas, with a possibility to extend to leisure parks
  - **Gives the Group better industrial control over its investments**
  - **« Insource » part of the contruction and maintenance work for lifts and equipment**
  - **Target: significant reduction of total cost of these investments**

- Choices of economic efficiency and social responsibility for major purchases, e.g., the ENALP electricity contract
  - **Nearly all of the ski areas are concerned, for a volume of 98 GWH/year over three years (€6 million)**
  - **Price locked in for the next three years (one price for all ski areas) providing visibility over the medium term for an important expense item (weight in % of electricity cost in expenses),**
  - **Growth of electricity cost mitigated from the current situation => +5%**
  - **Green electricity, 100% renewable (mix of water, wind, and sun), certified by an independent European body.**

- Grouped general calls for tender currently under way for long-term investments (five major facilities)

=> A new member of the Comex for this key management position: François Fassier


Strategic directions: a consolidated Group focused on optimizing skills and its leader position

In terms of content creation and marketing

- Development of quality events and creation of differentiating content, a source of organic growth:
  - Thanks to the beneficial effects of transversal organization => capacity for innovation (ex: Acticross in partnership with Actimel for ski areas)
  - Helped by the "big brands, big parks" strategy that balances new rides / quality events
  - Encouraged by the choice of acquisitions: mutual contribution of synergies expected from the consolidation of Futuroscope
  - Opening of partnerships intended to enhance the value of Group brands excl. parks (Walibi example)

- Increased actions and marketing:
  - Deeper vision of the Group's global positioning in terms of its partners
  - Sharing high-performance tools, encouraging service and understanding of customers, e.g., online sales
  - Spread of best practices: initiatives with partnerships, tourist offices, etc.

Strategic directions: a consolidated Group focused on optimizing skills and its leader position

In terms of strategic expansion

- Launch of two Musée Grévin abroad: impending announcement of the location of a new opening to be effective in 24 months.
  - **Target: four or five new Musée Grévin in the world within five years (Europe, Asia, Canada)**

- Increase the value of brands and expertise
  - **Creation and development of CDA Management**
  - **Creation of a dedicated tool for investment and for increasing the value of the Group's major brands => CDA Brands**

- Ambition for acquisitions is as determined as ever, but more selective
  - **CDA trademark = ability to integrate sites**
  - **Acquisition opportunities considered solely for their industrial advantages (no piling up)**


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Conclusion: a Group in motion, focused on ambitious, value-creating growth

- A Group with strong strategic fundamentals and solid and stable financial performances
- Since the end of 2008:
  - An asset portfolio that is easier to understand and more coherent; better capital allocation
  - Implementation of a global financial strategy that has significantly increased the Group's flexibility
  - A focus on free cash flow has already yielded significant results, despite an unfavorable context
  - The first concrete examples of major strategic directions: reorientation of the CAPEX policy, recentering of the organization around the principal approaches to value creation, strategic acquisitions, new ways to achieve growth …
- In the future, greater strategic focus based on a growth policy that is both dynamic and rigorous, particularly:
  - An investment policy that is increasingly selective and ambitious, focused more on appeal and customers, in both business lines
  - Even better Group consolidation to further optimize cost and skill synergies
  - Strong priority given to brand development and to valuation of Group expertises
  - More flexible Group positioning, to better take advantage of value-creating growth opportunities in the two existing business lines, or in related fields
  - Special discipline concerning ROCE

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