

# Amadeus 2018 Results

February 28, 2019



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# Operating Review

Luis Maroto  
President & CEO

# 2018 - Profitable growth

– Revenue +6.6%<sup>1</sup> (Exc. FX: high single-digit growth %)

- Negative FX impact

– EBITDA +9.7%<sup>1</sup> (Exc. FX & IFRS16<sup>1</sup>: high single-digit growth %)

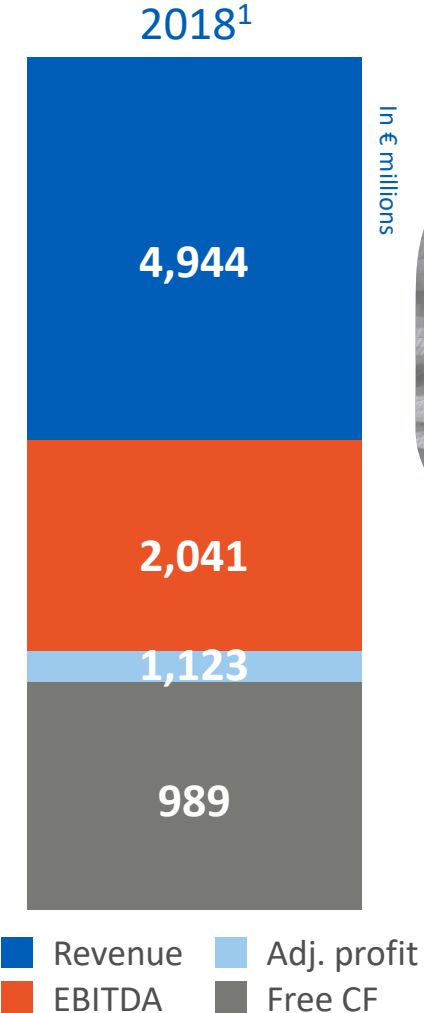
- Negative FX impact on EBITDA
- Positive FX and IFRS 16<sup>1</sup> impact on costs
- Exc. FX and IFRS 16<sup>1</sup>: broadly stable margin

– Adjusted profit<sup>1</sup> +1.0%

- 6.0% growth excluding positive non-recurring deferred tax liability adjustments in 2017

– Free Cash Flow<sup>2</sup> +7.8%

– Leverage 1.47x



1. Including TravelClick's 2018 consolidation effect of: Revenue, EBITDA and Adjusted Profit contributions of €86.7m, €22.3m and €14.3m, respectively, while excluding TravelClick's related acquisition transaction costs, PPA adjustment and bank acquisition financing interest expense. For full details on TravelClick's acquisition and impacts, see section 3.2 of 2018 Management Review. Also, compared to 2017 figures restated for IFRS 15 and IFRS 9, applied from January 1, 2018. See section 3.1 of 2018 Management Review for further details. In addition, we are early adopters of IFRS 16, which we applied since January 1, 2018. 2017 figures are not restated for IFRS 16. In 2018, IFRS 16 had a positive €47.4 million impact on EBITDA. See section 3.1 of 2018 Management Review for further details.

2. Defined as EBITDA, minus capex, plus changes in our operating working capital, minus taxes paid, minus interests and financial fees paid. Including TravelClick's 2018 Free Cash Flow contribution of €14.8m, while excluding TravelClick's related acquisition transaction costs paid and TravelClick's acquisition financing interest paid and related non-recurring fees. For full details on TravelClick's acquisition and impacts, please see section 3.2 of 2018 Management Review.



# Recent business highlights

## Airline Distribution

- Renewed / signed 15 **distribution agreements** in Q4 2018 - including Finnair, TAP and Vistara – amounting to 50 in 2018.
- Recently, **SpiceJet**, the Indian low cost carrier, signed its first distribution agreement with Amadeus.
- Customers of our **merchandizing solutions** for the indirect channel continued to expand.
  - Amadeus Airline Ancillary Services – 151 contracted airlines.
  - Amadeus Airline Fare Families – 81 contracted airlines.
- Signed an agreement with **Qantas**, enabling the Qantas Channel, from August 2019.

## Corporations

- **Bosch** will implement Amadeus cytric Travel, the Amadeus corporate self-booking tool, as well as Amadeus' Mobile platform.

## Airline IT

- **Cyprus Airways** contracted and implemented the full Altéa suite, while **Volaris Costa Rica** contracted and implemented New Skies.
- **S7 Airlines** implemented the full Altéa Suite.

## Hospitality

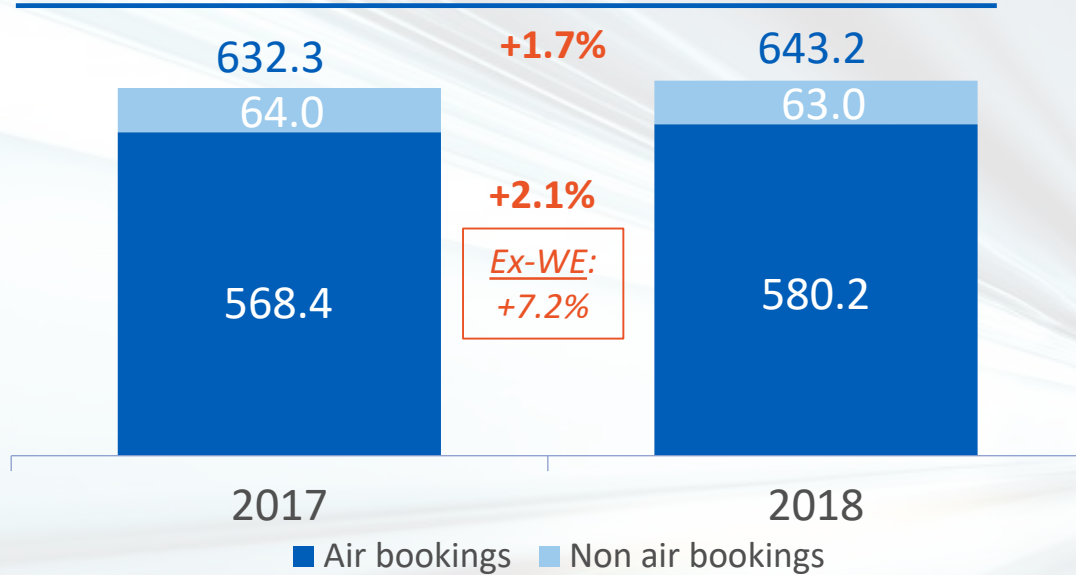
- Successful completion of the roll-out of the Guest Reservation System with **InterContinental Hotels Group**.
- **NH Group** joined TravelClick's Demand360 program.

## Airport IT

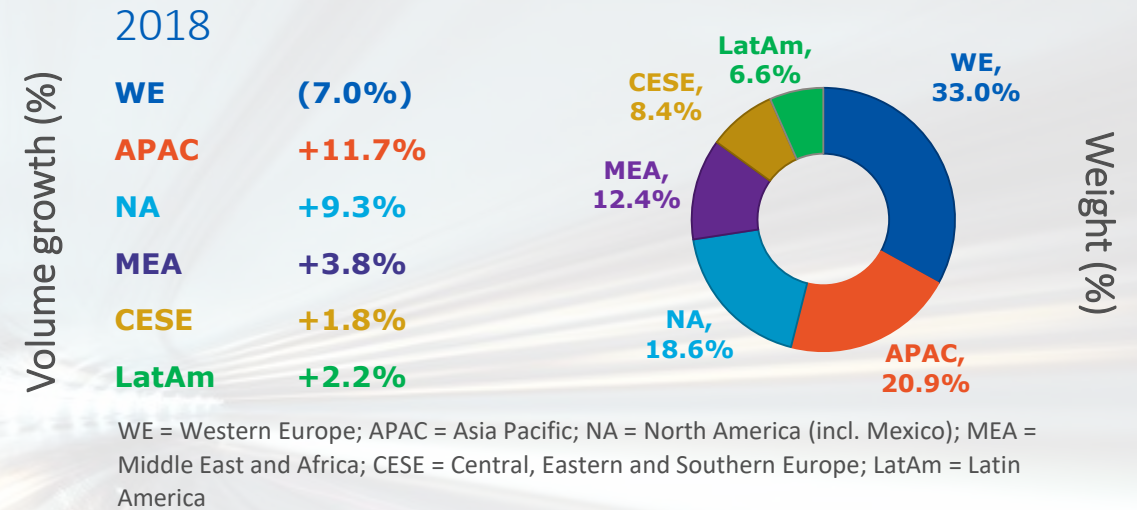
- **Billund Airport**, Denmark's second largest airport, deployed Amadeus Altéa Departure Control System and Amadeus Baggage Reconciliation System.

# Distribution

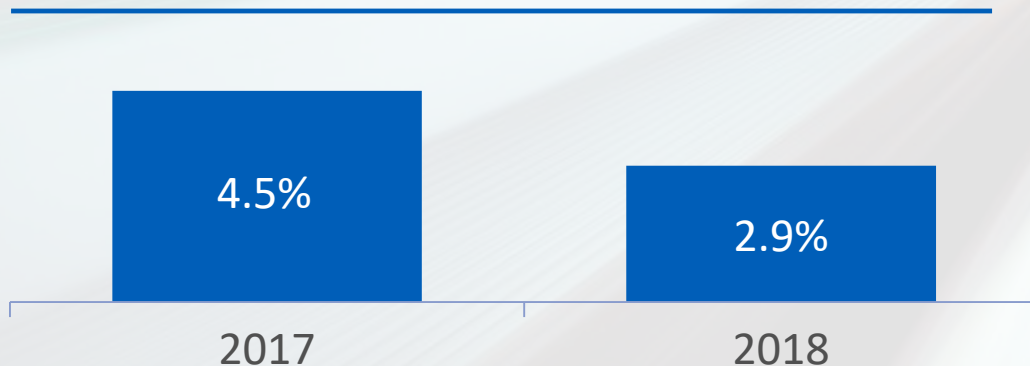
## Amadeus TA bookings (millions)



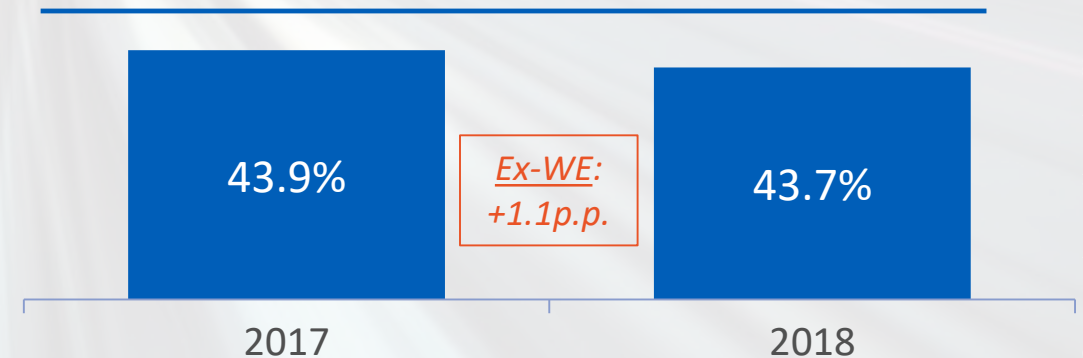
## Amadeus TA air bookings by region



## TA air booking industry growth<sup>1</sup>



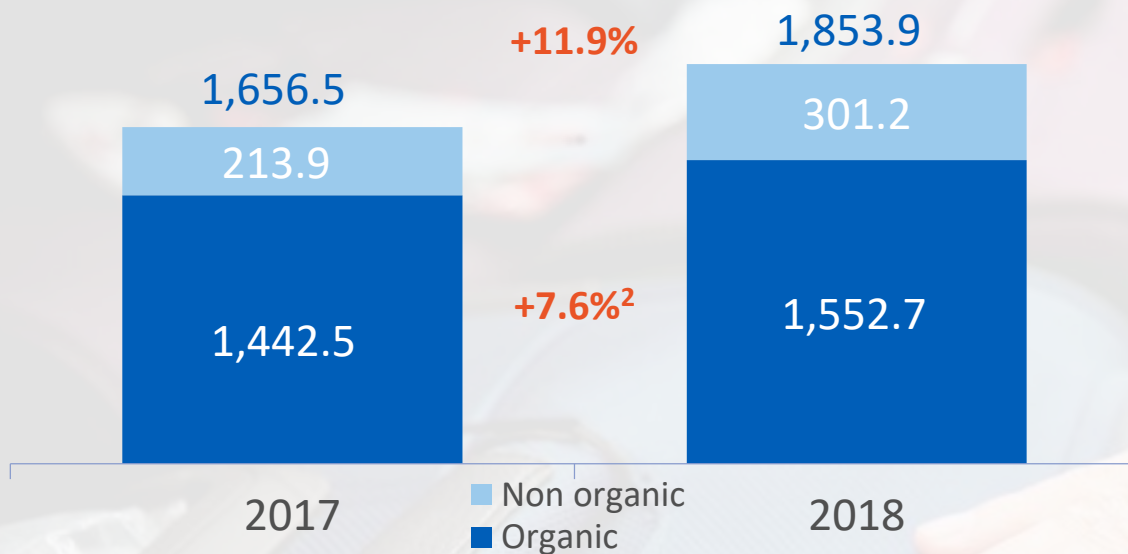
## Competitive position<sup>1</sup>



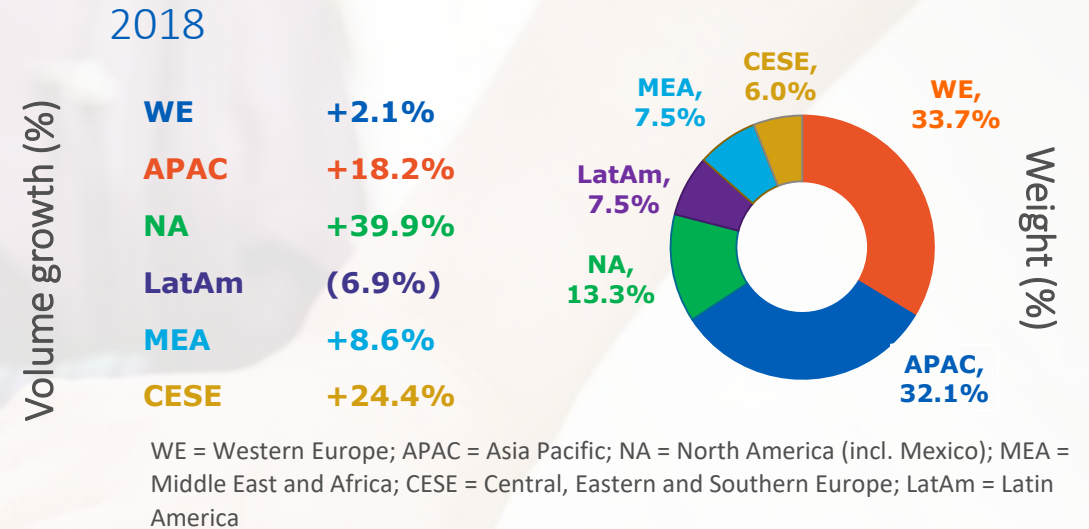
1. When we refer to our competitive position, we take into account our travel agency air bookings in relation to the travel agency air booking industry, defined as the total volume of travel agency air bookings processed by the three major global reservation systems (Amadeus, Sabre and Travelport). It excludes air bookings made directly through airlines' direct distribution channels (airline offices and websites), single country operators (primarily in China, Japan, Russia and Turkey), other content aggregators and direct connect applications between airline systems, travel agencies, corporations and meta-bookers, which together combined represent an important part of the industry.

# IT Solutions

## Passengers Boarded<sup>1</sup> (millions)



## Amadeus PB<sup>1</sup> by region



- At the end of 2018, 214<sup>3</sup> customers had contracted for Altéa or New Skies, of which 204 had been migrated
- 11.9% PB growth driven by:
  - 7.6%<sup>2</sup> organic growth
  - Full-year effect from the 2017 migrations (including Southwest Airlines, Japan Airlines, Malaysia Airlines, Kuwait Airways, Boliviana de Aviación, SmartWings, Norwegian Air Argentina, Air Algerie and MIAT Mongolian Airlines on Altéa, as well as, GoAir, Viva Air Perú, Andes Líneas Aéreas, JetSMART and flyadeal on New Skies) and the 2018 migrations (including S7 Airlines, Maldivian Airlines, Cyprus Airways and Aeromar on Altéa, and Volaris Costa Rica on New Skies)
  - Ceasing of operations of Air Berlin and Monarch Airlines in 2017
  - De-migration of LATAM Airlines Brazil from our platform during the second quarter of 2018

1. Passengers Boarded ("PB") refers to actual passengers boarded onto flights operated by our Altéa and New Skies migrated customers.  
 2. Calculated based on passengers boarded adjusted to reflect growth of comparable airlines on the Altéa and New Skies platforms during both periods.  
 3. Customers that have contracted at least the Altéa Inventory module, in addition to the Reservations module, or Navitaire's New Skies solution.



# Financial highlights

Ana de Pro  
CFO



# TravelClick acquisition effects<sup>1</sup>

– The table below shows:

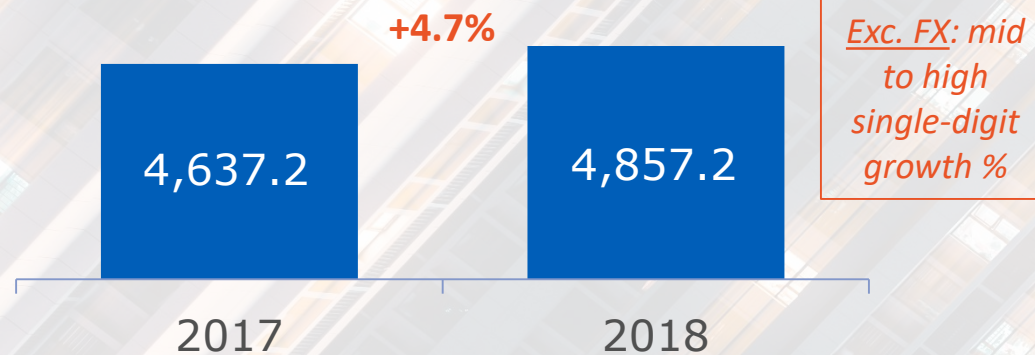
- A. Amadeus Group figures, excluding TravelClick.
- B. TravelClick figures, consolidated from October 4, 2018.
- C. A+B Amadeus and TravelClick consolidated, before transaction effects.
- D. Transaction related non-recurring costs, PPA adjustments and TravelClick's acquisition financing interest expense and fees.
- E. C+D Amadeus Group consolidated results.

2018 (In € millions)	A		B	C = A + B		D	E = C + D	
	Amadeus exc. TC	% Change	TravelClick (TC)	Amadeus +TC	% Change	Transaction costs & PPA	2018 Results	% Change
Distribution revenue	3,004.3	2.8%	0.0	3,004.3	2.8%	0.0	3,004.3	2.8%
IT Solutions revenue	1,852.9	8.0%	86.7	1,939.7	13.1%	(8.2)	1,931.4	12.6%
<b>Group revenue</b>	<b>4,857.2</b>	<b>4.7%</b>	<b>86.7</b>	<b>4,943.9</b>	<b>6.6%</b>	<b>(8.2)</b>	<b>4,935.7</b>	<b>6.4%</b>
Distribution contribution	1,380.7	2.3%	0.0	1,380.7	2.3%	0.0	1,380.7	2.3%
Contribution margin	46.0%	(0.2 p.p.)	n.m.	46.0%	(0.2 p.p.)	n.m.	46.0%	(0.2 p.p.)
IT Solutions contribution	1,321.5	8.3%	30.9	1,352.4	10.9%	(25.3)	1,327.1	8.8%
Contribution margin	71.3%	0.2 p.p.	35.7%	69.7%	(1.4 p.p.)	n.m.	68.7%	(2.4 p.p.)
<b>EBITDA</b>	<b>2,018.3</b>	<b>8.5%</b>	<b>22.3</b>	<b>2,040.6</b>	<b>9.7%</b>	<b>(27.1)</b>	<b>2,013.5</b>	<b>8.3%</b>
EBITDA Margin (%)	41.6%	1.4 p.p.	25.7%	41.3%	1.2 p.p.	n.m.	40.8%	0.7 p.p.
<b>Adjusted profit</b>	<b>1,108.5</b>	<b>(0.3%)</b>	<b>14.3</b>	<b>1,122.8</b>	<b>1.0%</b>	<b>(17.6)</b>	<b>1,105.2</b>	<b>(0.6%)</b>
Adjusted EPS	2.58	1.4%		2.61	2.7%		2.57	1.1%
<b>Free cash flow</b>	<b>974.2</b>	<b>6.2%</b>	<b>14.8</b>	<b>989.0</b>	<b>7.8%</b>	<b>(13.1)</b>	<b>976.0</b>	<b>6.4%</b>

1. See section 3.2 of 2018 Management Review for full details on TravelClick's acquisition.

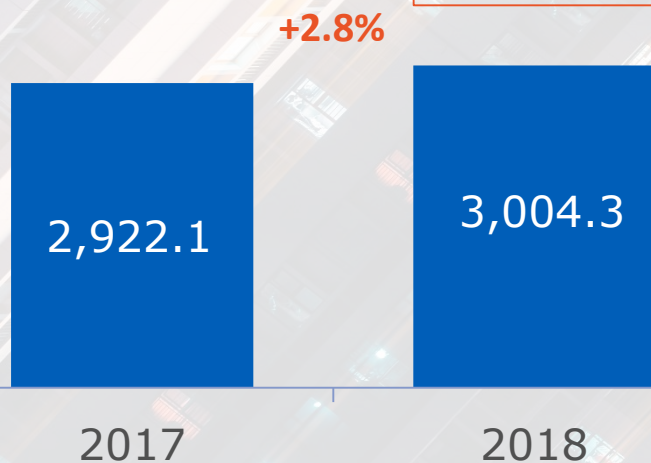
# Revenue growth by segment<sup>1</sup>

## Group revenue (€ millions)

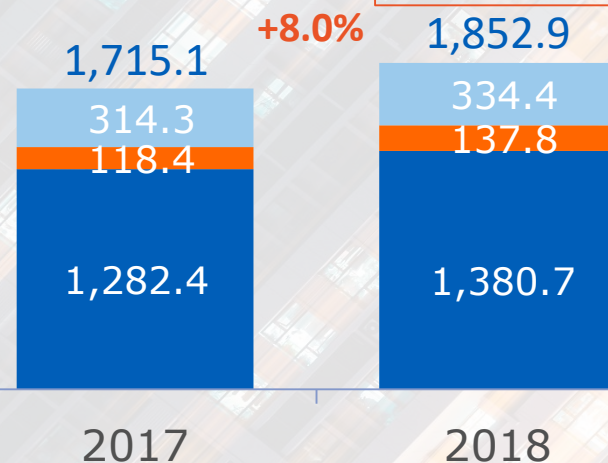


## Segment revenue (€ millions)

### Distribution



### IT Solutions



**Group revenue** expanded by 4.7%, supported by the performances across our Distribution and IT Solutions segments. Per segment, Distribution revenue grew 2.8% and IT Solutions grew 8.0%. Exc. negative FX, Group revenue grew at a mid to high single-digit growth rate:

**Distribution:** exc. negative FX, revenue grew at a mid single-digit growth rate, resulting from volume growth and an expansive revenue per booking, driven by (i) booking mix (increasing weight of global bookings and declining weight of non-air bookings) and (ii) customer renegotiations.

**IT Solutions:** exc. negative FX, revenue grew at a low double-digit growth rate, driven by (i) PB volume expansion coupled with a dilutive airline IT unitary revenue from increasing weight of low-cost and hybrid carriers, and (ii) double-digit growth rate of our new businesses, supported by the positive performance of Hospitality IT (exc. TravelClick).

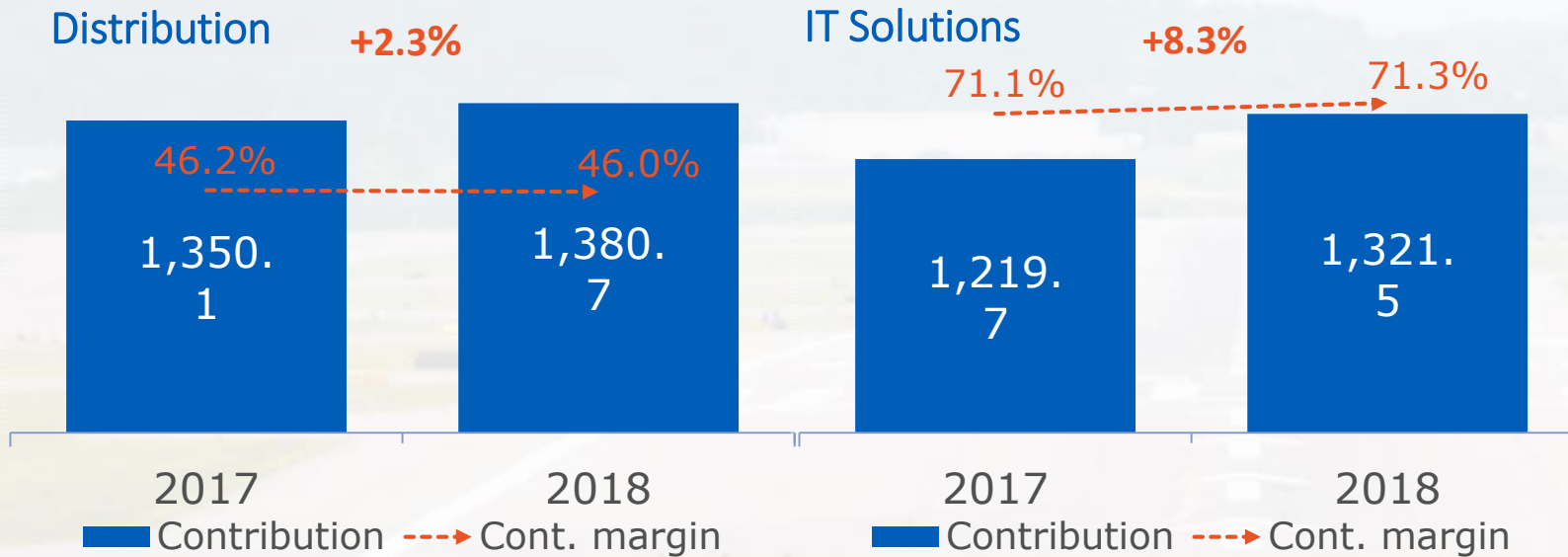
■ IT transactional ■ Direct Distribution ■ Non transactional

1. The figures in this slide are presented excluding TravelClick and related acquisition effects.

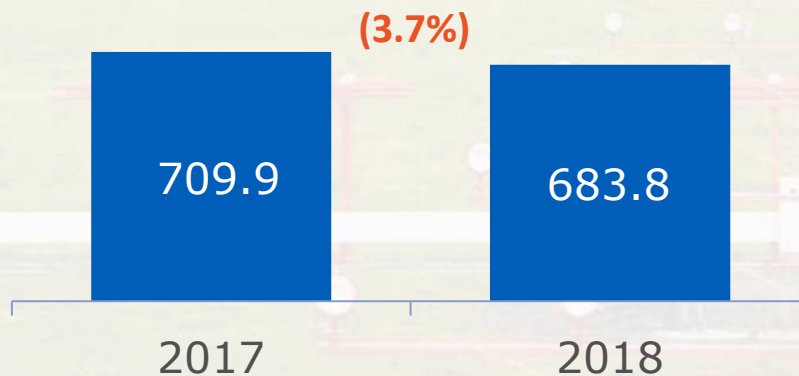


# Contribution growth across segments<sup>1</sup>

## Segment Contribution (€ millions)



## Net indirect costs (€ millions)

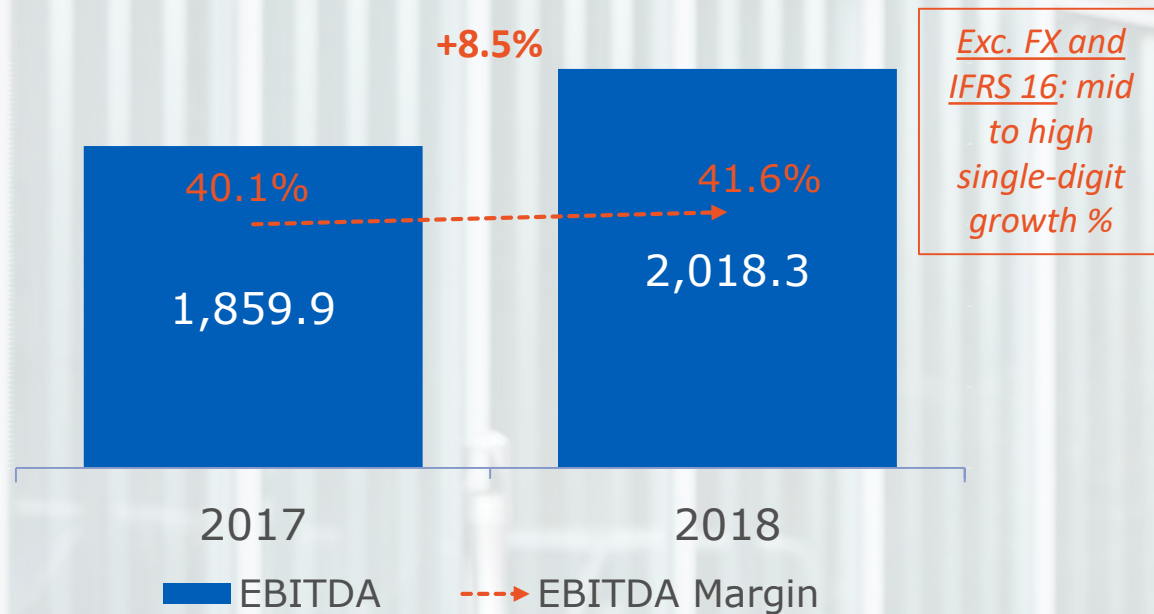


- **Distribution:** margin dilution driven by (i) a unitary distribution cost expansion, resulting from competitive pressure and country and customer mix, (ii) a net fixed cost decline and (iii) a positive FX impact. Exc. FX, margin dilution in line with past.
- **IT Solutions:** margin expansion supported by positive FX. Exc. FX, broadly stable margin, resulting from (i) airline IT operating leverage, (ii) NBU expansion, and (iii) a higher capitalization ratio.
- **Indirect costs:** decline driven by IFRS 16 adoption. Exc. IFRS 16, net indirect costs grew 2.9%, resulting from (i) R&D investment expansion in cross-area technology, and (ii) higher resources in corporate functions to support our overall business expansion, partly offset by (iv) a higher capitalization ratio and (v) a positive FX impact.

1. The figures in this slide are presented excluding TravelClick and related acquisition effects.

# EBITDA and Adjusted EPS growth<sup>1</sup>

## EBITDA (€ millions)

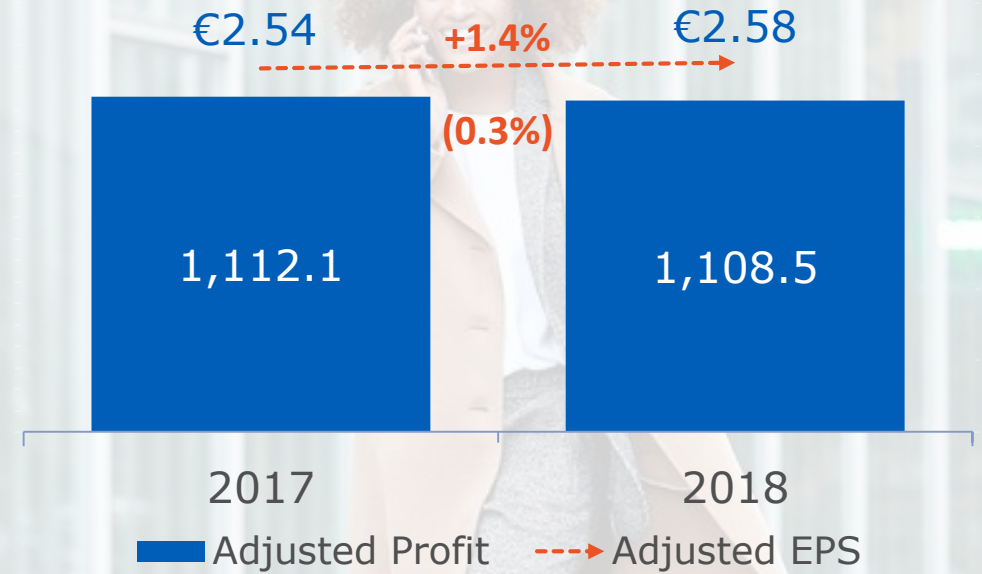


EBITDA growth resulting from:

- Distribution and IT Solutions positive performance
- Positive IFRS 16 impact and negative FX effect

Excluding FX and IFRS 16 impacts, EBITDA grew at a mid to high single-digit growth rate and EBITDA margin was broadly stable

## Adj. Profit<sup>2</sup> (€ millions) & Adj. EPS<sup>3</sup> (€)



Adjusted profit decrease as a result of :

- EBITDA growth, coupled with lower financial expenses, offset by D&A growth and a significantly higher tax expense
- 2017 tax rate was positively impacted by non-recurring effects, including adjustments to deferred tax liabilities in France and the U.S.

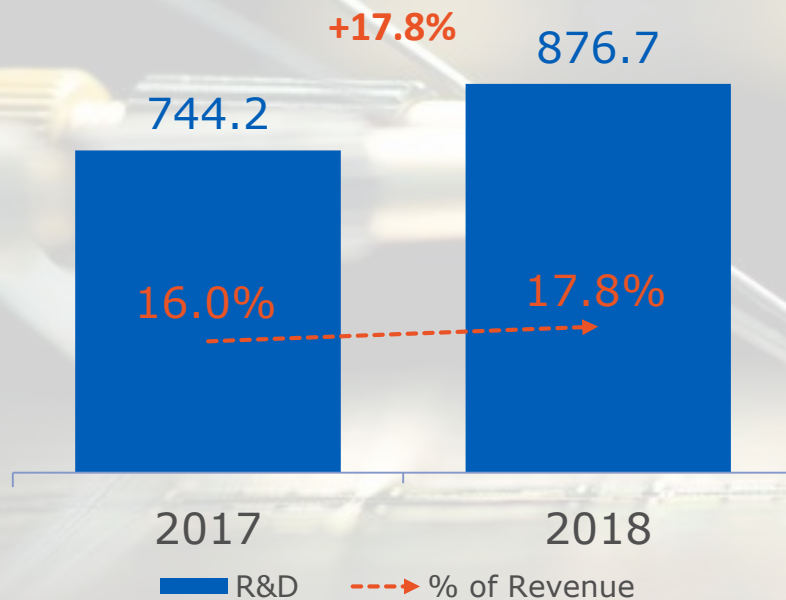
Exc. 2017 deferred tax liability adjustments, adjusted profit grew by 4.7%

1. The figures in this slide are presented excluding TravelClick and related acquisition effects.  
 2. Excluding after-tax impact of the following items: (i) accounting effects derived from PPA exercises and impairment losses, (ii) non-operating exchange gains (losses) and (iii) other non-recurring items.  
 3. EPS corresponding to the Adjusted profit attributable to the parent company. Calculated based on weighted average outstanding shares of the period.

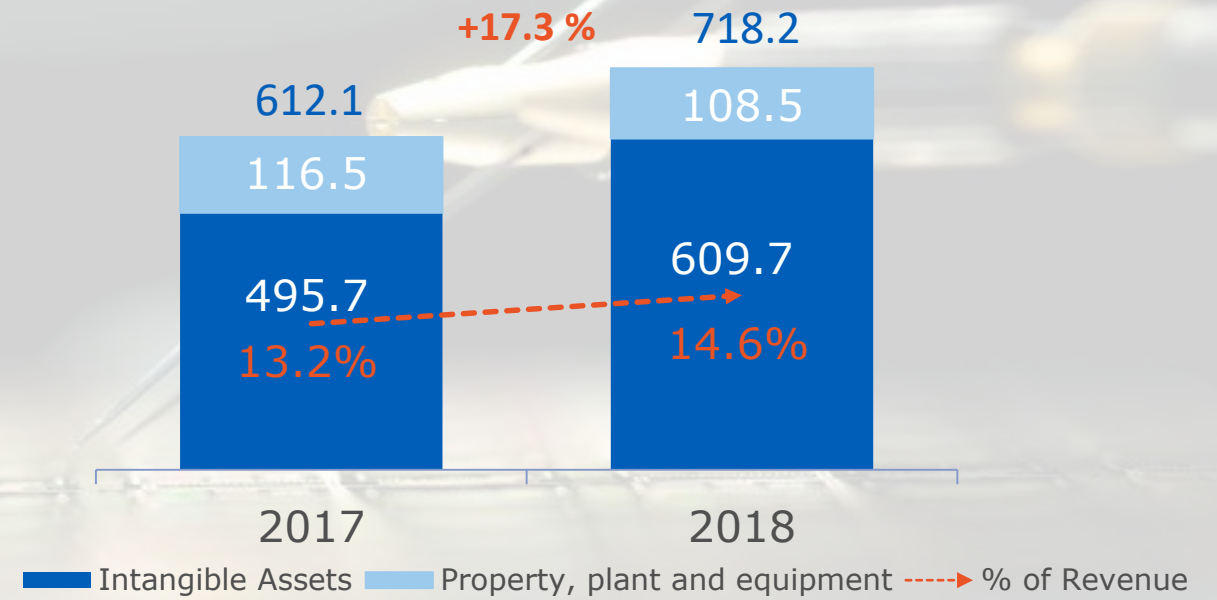


# Investment in R&D and Capex (inc. TravelClick)

R&D investment<sup>1</sup> (€ millions)



Capex (€ millions)



- R&D investment related to: (i) product portfolio expansion and evolution, (ii) customer implementations, and (iii) cross-area technological projects
- R&D investment represented 17.8% of revenue

- Increase in capex in intangible assets, resulting from higher software capitalizations, signing bonuses paid and TravelClick's contribution
- Capex represented 14.6% of revenue

1. Net of research tax credit.

# Free cash flow generation and leverage (inc. TravelClick)

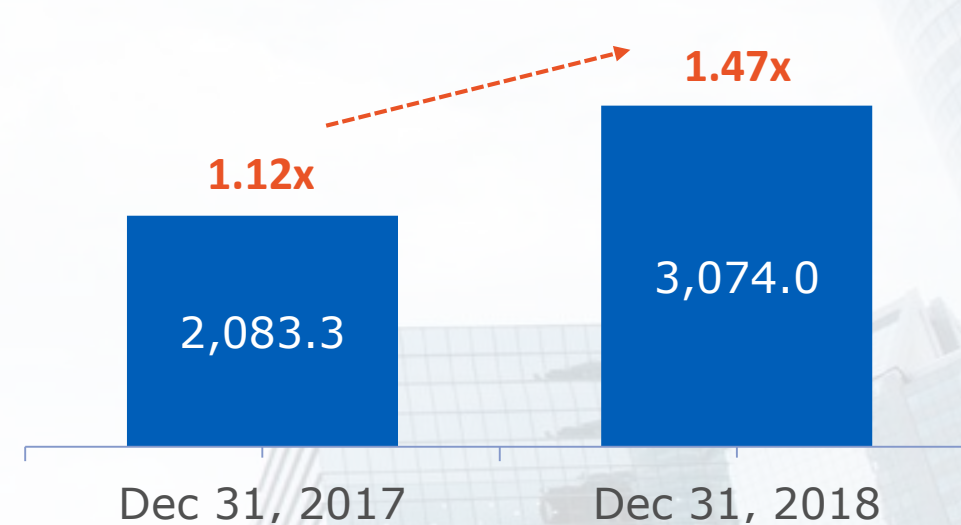
## Free cash flow<sup>1</sup> (€ millions)



— Increased free cash flow generation, as a result of higher EBITDA and lower taxes paid, partly offset by higher capex and working capital needs.

— Free cash flow negatively impacted by TravelClick's transaction acquisition effects. Exc. these, free cash flow was €989m, growing by 7.8%.

## Net debt (€ millions) and leverage (x)<sup>2</sup>



— Net debt and leverage increase due to TravelClick acquisition.

1. Free cash flow defined as EBITDA, less capex, plus changes in operating working capital, less taxes paid, less interests and financial fees paid.

2. Net financial debt and leverage based on the definition included in the credit facility agreements. Leverage calculated as net financial debt divided by LTM EBITDA.



# 2019 Outlook



# 2019 Outlook

Revenue<sup>1</sup>

- Low double-digit growth rate

EBITDA<sup>1</sup>

- High single-digit to low double-digit growth rate

Free cash flow<sup>1</sup>

- Capex: 12-15% of revenue
- Free cash flow generation: €950-1,025 million

Capital structure

- 1.0 – 1.5x Net Debt / EBITDA

Shareholder remuneration

- Ordinary dividend 50% pay-out ratio

1. Including TravelClick contribution, while excluding TravelClick's related acquisition costs and PPA adjustment.



# 2019 Outlook by segment

## Distribution

### Revenue growth rate:

- Expected deceleration in air traffic growth
  - IATA projects 6.0% air traffic growth for 2019 (vs. IATA's reported 6.5% in 2018)<sup>2</sup>, with downside potential

### Business-as-usual:

**Mid single-digit\***

### Worse case:

**Low single-digit\***

- Indian carrier related impact

### Margin evolution

- Dilution
  - Competitive pressure

## IT Solutions<sup>1</sup>

### Revenue growth rate: double-digit

- High single-digit PB growth
  - +15m PB inorganic impact, including (i) +35m PB impact from 2018<sup>3</sup> and 2019 migrations, and (ii) a negative effect from the de-migration of LATAM Airlines Brazil and Germaniagate's ceased operations<sup>4</sup>
- Double-digit growth from new businesses and TravelClick consolidation full year impact

### Margin evolution

- Dilution
  - Airline IT operating leverage
  - Faster NBU growth, TravelClick consolidation full year impact

\* In either case, the Group revenue growth outlook does not change.

1. Including TravelClick contribution, while excluding TravelClick's related acquisition transaction costs and PPA adjustment.

2. Source: IATA Air Passenger Market Analysis December 2018 (released on Feb 7, 2019).

3. Mainly S7 Airlines.

4. LATAM Airlines Brazil de-migrated in May 2018. Based on public information, LATAM Airlines Brazil carried over 30 million passengers in 2017. Germaniagate ceased operations in February 2019. Based on public information, Germaniagate carried c. 4 million passengers in 2018.

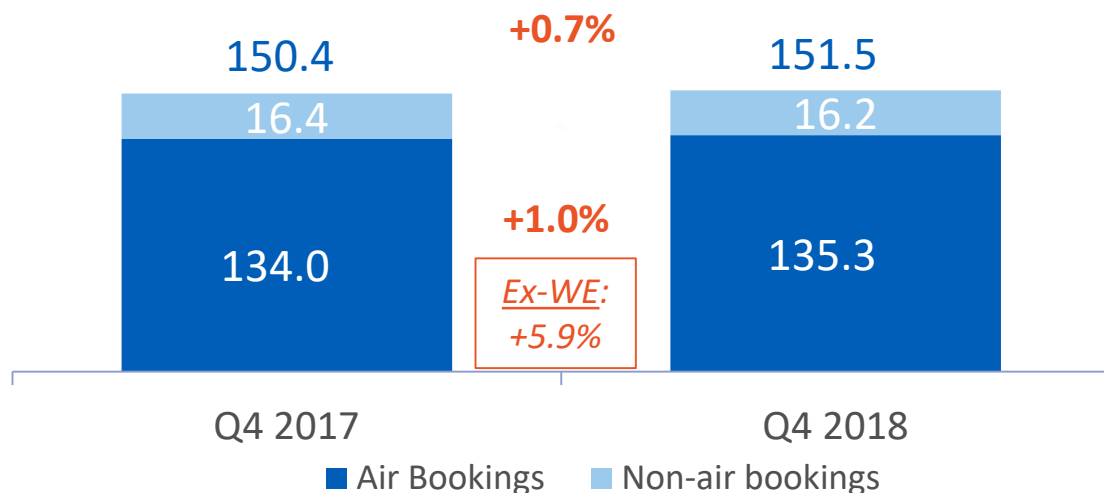
# Support materials



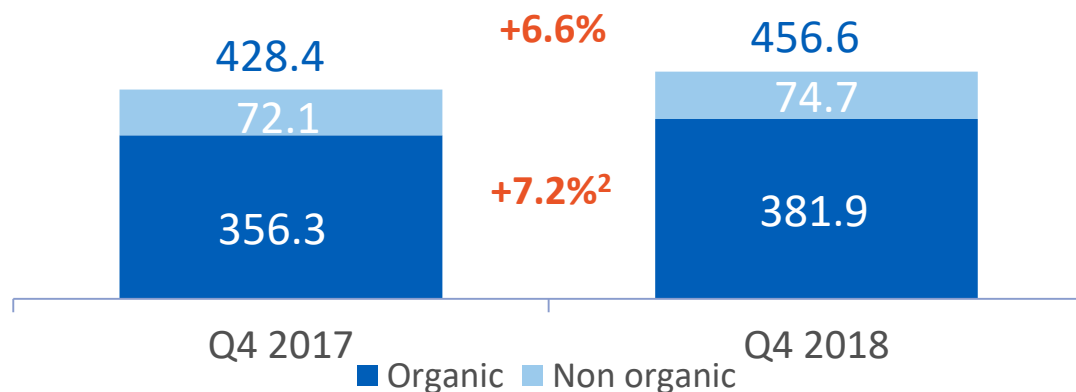


# Q4 Volumes

## Amadeus TA Bookings (in millions)

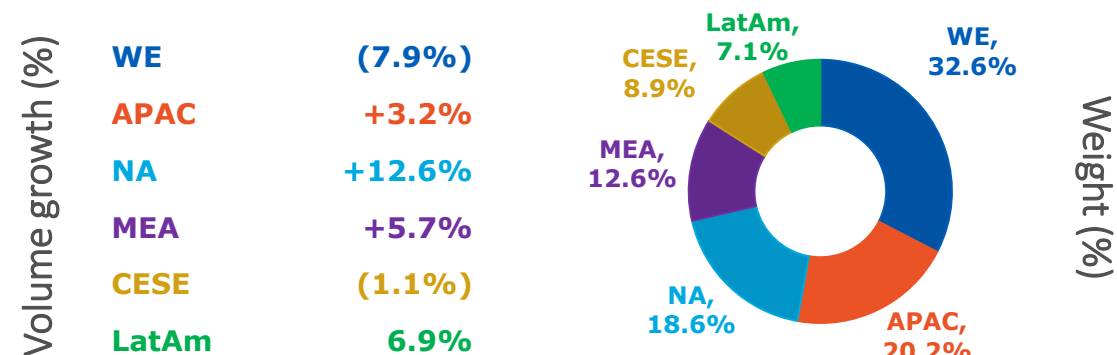


## Passengers Boarded<sup>1</sup> (in millions)



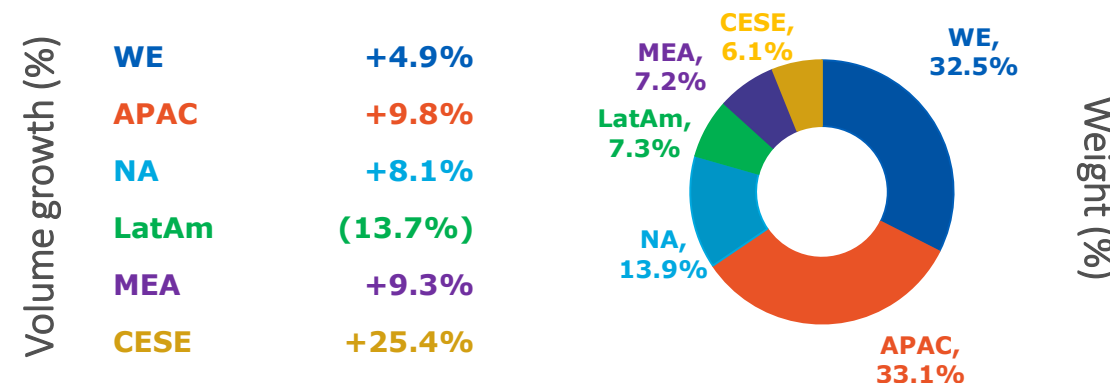
1. Passengers Boarded ("PB") refers to actual passengers boarded onto flights operated by our Altéa and New Skies migrated airlines.
2. Calculated based on passengers boarded adjusted to reflect growth of comparable airlines on the Altéa and New Skies platforms during both periods

## Amadeus TA Air Bookings by region



WE = Western Europe; CESE = Central, Eastern and Southern Europe; MEA = Middle East and Africa; LatAm = Latin America; NA = North America (incl. Mexico)

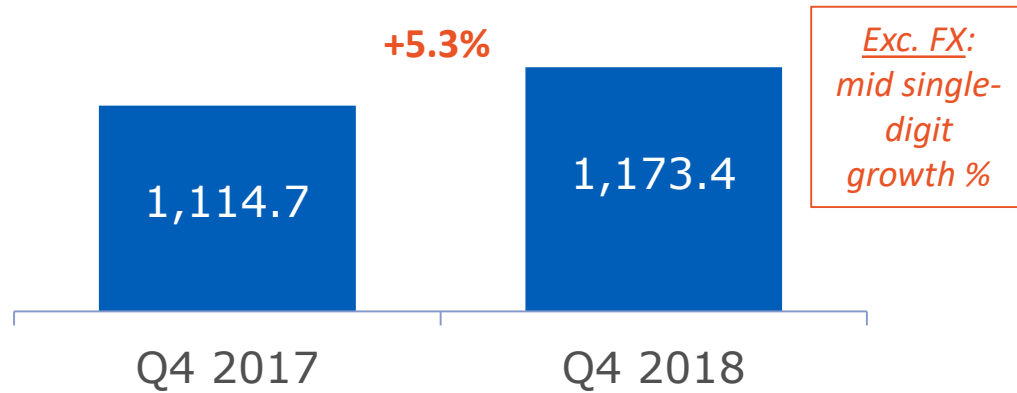
## Amadeus PB<sup>1</sup> by region



WE = Western Europe; CESE = Central, Eastern and Southern Europe; MEA = Middle East and Africa; LatAm = Latin America; NA = North America (incl. Mexico)

# Q4 revenue by segment<sup>1</sup>

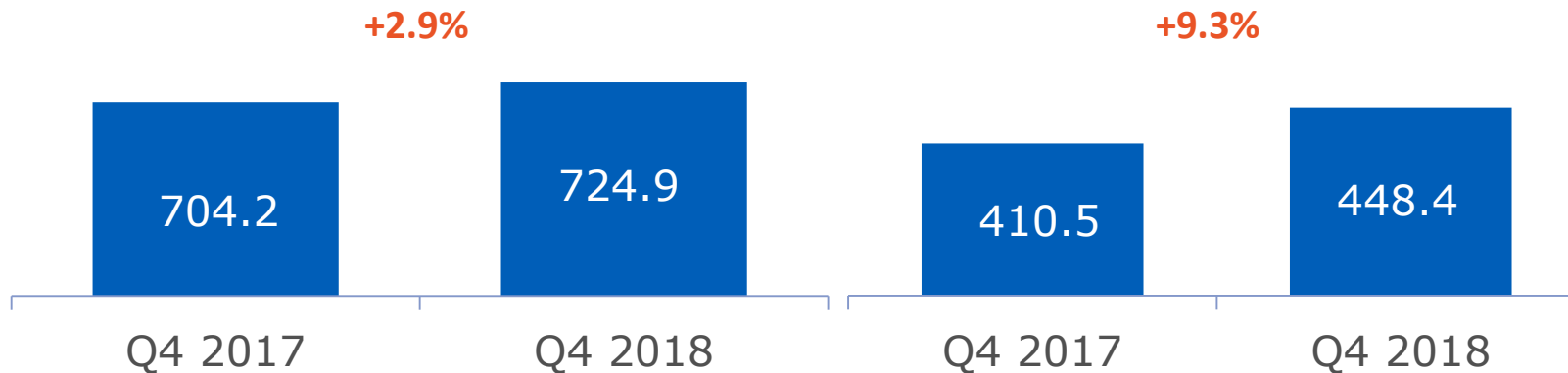
## Group Revenue (in € millions)



## Segment Revenue (in € millions)

### Distribution

### IT Solutions



**Group revenue** expanded by 5.3%, resulting from the positive evolution of Distribution and IT Solutions and a small positive FX impact.

**Distribution:** volume growth, coupled with an expansionary average revenue per booking (positive booking mix from higher weight of global bookings and lower weight of non-air bookings, as well as customer renegotiations).

**IT Solutions:** (i) airline IT growth, supported by volume expansion, and (ii) double-digit growth delivered by our new businesses.

1. The figures in this slide are presented excluding TravelClick and related acquisition effects.



# Average year-to-date USD/Euro FX rate evolution

Average year-to-date USD/Euro FX rate <sup>1</sup>	2018	2017	USD appreciation / (depreciation)
January - March	1.233	1.068	(15.4%)
January - June	1.207	1.093	(10.4%)
January - September	1.193	1.122	(6.4%)
Full year	1.179	1.137	(3.7%)

1. Calculated as the average of the month-end FX rates in the year-to-date periods (official ECB USD-Euro exchange rates).

# Key Performance Indicators<sup>1</sup>

	2018	2017	Change
Amadeus TA air bookings (m)	580.2	568.4	2.1%
Passengers Boarded (m)	1,853.9	1,656.5	11.9%
Revenue (€m)	4,943.9	4,637.2	6.6%
EBITDA (€m)	2,040.6	1,859.9	9.7%
Adjusted profit (€m)	1,122.8	1,112.1	1.0%
Adjusted EPS (€)	2.61	2.54	2.7%
Free Cash Flow (€m)	989.0	917.6	7.8%

1. Including TravelClick's 2018 consolidation effect, while excluding TravelClick's related acquisition transaction costs, PPA adjustment and bank acquisition financing effects. For full details on TravelClick's acquisition and impacts, see section 3.2 of 2018 Management Review. Also, compared to 2017 figures restated for IFRS 15 and IFRS 9, applied from January 1, 2018. See section 3.1 of 2018 Management Review for further details. In addition, we are early adopters of IFRS 16, which we applied since January 1, 2018. 2017 figures are not restated for IFRS 16. In 2018, IFRS 16 had a positive €47.4 million impact on EBITDA. See section 3.1 of 2018 Management Review for further details.



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