



First-half-result 2017
MCH Group

Robust first-half result in a challenging environment

- Operating income CHF 305.6 million, EBITDA CHF 63.7 million, EBIT CHF 30.1 million, group profit CHF 26.5 million.
- Declines due to the situation on the national market and market consolidations in the watch and jewellery industry.
- Significantly lower annual result expected for 2017 by comparison to previous years.
- New initiatives will ensure a positive trend in the result over the medium term.

The MCH Group has posted a consolidated first-half result for the reporting period from 1 January to 30 June 2017 which is considerably below that for the corresponding period in previous years. The declines due to exhibition cycles, the market and the investments made are within the range that began to emerge in 2016 already.

2017 is a weaker year in terms of exhibition schedules, without the nationally leading construction trade fair of Swissbau, which is only held in the even-numbered years, and is thus comparable with 2015. Since then, however, various factors with a negative impact on the exhibition and event business have become more pronounced. The strong Swiss franc is having a clear effect on the Swiss market and weakening international competitiveness. Industries such as the watch and jewellery sector and the automotive industry are having to contend with downturns worldwide, and this is resulting in drastic structural changes and an ongoing market consolidation process. Global trends such as rapidly advancing digitisation are opening up new “marketing gateways” and prompting the increasing restructuring of marketing budgets.

For most national exhibitions, and also for national business in the field of live marketing solutions, these and other factors are leading to declines. In 2017, they had an impact on the Baselworld Watch and Jewellery Show in particular for the first time, with the number of exhibitors falling by 200 to 1 300.

Set against these negative factors and developments is the successful implementation of a number of strategic initiatives in the first half of 2017, including the acquisition of the MC² (“MC-squared”) company group, a leading service company in the exhibition and event market in the USA. While the cost of this acquisition, which is by far the biggest ever in the more than 100-year history of the MCH Group, was incurred in the first half of 2017, the positive effects of the acquisition have still been very limited during this period. The consolidation period of only two months also coincides with a time at which business activity is comparatively weak for seasonal reasons.

Income statement

Consolidated operating income for the reporting period from 1 January to 30 June 2017 totals CHF 305.6 million. This is 9.4 % below the first six months of the previous year with its strong exhibition schedule (CHF 337.4 million) and 1.5 % below this same period in 2015 (CHF 310.4 million) which is comparable in terms of the number of exhibitions staged.

By contrast to operating income, operating expenditure remains at the same level as for the previous year, due primarily to the additional expenses incurred in the development and implementation of a range of strategic initiatives. This has therefore led to a clear decline in the operating results and group profit. The EBITDA is CHF 63.7 million and is thus one third lower than for the previous two years (2016 CHF 92.0 million, 2015 CHF 86.1 million). The EBIT has fallen to approximately half the value of the previous two years to stand at CHF 30.1 million (2016 CHF 59.9 million, 2015 CHF 55.0 million). The consolidated group profit (without minorities) is CHF 26.5 million and thus 52.8 % below the same period for 2016 (CHF 56.1 million) and 45.6 % below the same period for 2015 (CHF 48.7 million).

Balance sheet

The balance sheet total is CHF 171.1 million below the figure for the reference date of 31.12.2016. This is due to the repayment of a loan of CHF 50 million to the Canton of Basel-Stadt and the direct offsetting against equity of the goodwill associated with the acquisition of MC². In the first six months of 2017, it was possible to further increase the equity ratio from 47.9 % to 50.5 %.

The balance sheet total as per 30 June 2017 is CHF 744.9 million (as per 31 December 2016 CHF 916.0 million), comprising current assets of CHF 210.3 million (CHF 356.9 million) and fixed assets of CHF 534.6 million (CHF 559.1 million). The liabilities side shows outside capital of CHF 368.7 million (CHF 477.1 million) and equity of CHF 376.2 million (CHF 438.9 million).

Operating income by division

Operating income in the “Exhibitions” Division (MCH Group exhibitions, including related services) totals CHF 222.4 million for the first six months of 2017 (CHF 264.8 million in the same period of the previous year, minus 16.0%) and accounts for 72.8% of the group’s overall operating income. The “Venues” Division recorded income of CHF 20.5 million (CHF 21.8 million, minus 6.0%), accounting for 6.7% of overall operating income. The operating income of the “Live Marketing Solutions” Division has risen to CHF 62.7 million on account of the acquisition of MC² (CHF 50.8 million, plus 23.4%), representing 20.5% of the group’s operating income.

Exhibitions and events

In the first half of 2017, the MCH Group staged 13 exhibitions of its own, 11 of which were held in Basel, Zurich and Lausanne. The group also hosted 27 third-party exhibitions at its locations in Switzerland. Some 7 400 exhibiting companies took part in these 40 exhibitions, which attracted 1 060 000 visitors.

Added to this, 160 other events were staged in the MCH Group’s exhibition halls and congress / conference rooms, while the “Live Marketing Solutions” companies implemented 800 projects.

Corporate development

In February 2017, the MCH Group acquired 25.1% of art.fair International GmbH in Cologne, the organisers of the new ART DÜSSELDORF fair. This investment constitutes a further step in the development of a new portfolio of regional art fairs at key art locations.

In April 2017, the MCH Group acquired 100% of the shares in the American MC² group. As one of the market leaders in the exhibition and event construction sector, MC² employs more than 350 people at 14 locations in the USA and at one subsidiary in Germany. The MCH Group is thus now in a position to serve locally and globally operating customers in all the key markets – Europe, USA, Asia and the Middle East – and in all the different areas of live marketing.

With SmartSuisse and BRICKLIVE, staged in parallel to Muba, two new MCH platforms experienced a successful baptism of fire during the first half of 2017. At the end of August 2017, the MCH Group launched Grand Basel – a new event for exceptional historic, contemporary and future-oriented motor cars. This will have its premiere in Basel in 2018 and is also to be staged in the USA and Asia.

Expectations for 2017

It is not possible to linearly extrapolate the present half-year result and draw conclusions regarding the expected result for 2017 as a whole. The MCH Group’s exhibition schedule in the first half of the year is always more tightly packed and generates more income than in the second half, which similarly takes in the summer months when no events are held. Over the past few years, therefore, the result for the year (group profit) has always been about CHF 20 million below the half-year result.

In terms of the expected annual result for 2017, it is important to remember not only the normal seasonal fluctuations but also the general economic setting and the effect of the consolidation of MC². The MCH Group is expecting a result for 2017 that will be at least 50% below that of the 2016 result of CHF 34.3 million.

Outlook

The consequences of the major changes coming about in the watch and jewellery industry will have a greater impact on Baselworld 2018 than has been the case in 2017. In close cooperation with the principal exhibitors, decisive adjustments to the show concept are being worked out and implemented for Baselworld 2018 and for the years to follow. These include shortening the show by two days, considerably reducing the number of exhibitors and also further measures for reducing the cost of participation. These measures will have a substantial impact on the results of the MCH Group over the years to come.

The market-related declines in the course of business cannot yet be fully offset in 2018 by the positive effects of the initiatives implemented in 2016 and 2017, plus the further strategic initiatives that have been launched. For 2018, the MCH Group is thus expecting a result in the range of the expected result for 2017. The group is, however, confident of achieving a positive development in its result again in the medium term thanks to a number of new initiatives.

Group income statement and balance sheet for the first-half result for 2017

Group income statement (abridged)	01.01.–30.06.2017		01.01.–30.06.2016		01.01.–30.06.2015	
	CHF million	%/income	CHF million	%/income	CHF million	%/income
Operating income	305.6		337.4		310.4	
Operating expenses	-275.5		-277.5		-255.4	
Operating result	30.1		59.9		55.0	
Financial result net	-1.9		-1.9		-4.2	
Result from ordinary activities	28.2		58.0		50.8	
Result of associated companies	-0.5		0.0		0.1	
Earnings before taxes	27.7		58.0		50.9	
Taxes	-1.3		-2.1		-2.4	
Group profit	26.4		55.9		48.5	
Of which, minority shareholders	0.1		0.2		0.2	
Of which, shareholders of MCH Group	26.5	8.7	56.1	16.6	48.7	15.7
EBITDA	63.7	20.8	92.0	27.3	86.1	27.7
EBIT	30.1	9.8	59.9	17.8	55.0	17.7

Earnings per share (diluted / undiluted)	01.01.–30.06.2017		01.01.–30.06.2016		01.01.–30.06.2015	
	CHF		CHF		CHF	
	4.40		9.35		8.10	

Operating income by divisions	01.01.–30.06.2017		01.01.–30.06.2016		01.01.–30.06.2015	
	CHF million	%	CHF million	%	CHF million	%
Exhibitions (MCH exhibitions)	222.4	72.8	264.8	78.5	230.5	74.3
Venues (third-party events)	20.5	6.7	21.8	6.5	24.0	7.7
Live Marketing Solutions	62.7	20.5	50.8	15.0	55.9	18.0
Total operating income	305.6	100.0	337.4	100.0	310.4	100.0

No relevant Swiss or international direct competitor currently discloses their segment results or is required to disclose the figures and segment results in a comparable manner. For this reason, the MCH Group is dispensing with the presentation of its segment results, since detailed reporting of the company's cost and earnings structure could produce competitive disadvantages compared with competitors.

Group balance sheet (abridged)	30.06.2017		31.12.2016	
	CHF million	%	CHF million	%
Current assets	210.3	28.2	356.9	39.0
Non-current assets	534.6	71.8	559.1	61.0
Total assets	744.9	100.0	916.0	100.0
Short-term liabilities	107.0	14.4	220.4	24.1
Long-term liabilities	261.7	35.1	256.7	28.0
Total liabilities	368.7	49.5	477.1	52.1
Shareholders' equity	376.2	50.5	438.9	47.9
Total equity and liabilities	744.9	100.0	916.0	100.0

Group Cash Flow Statement

Group Cash Flow Statement (abridged)	01.01.–30.06.2017	01.01.–30.06.2016
	CHF million	CHF million
Net cash flow from operating activities	6.1	-26.9
Net cash flow from investment activities	-113.1	-5.1
Net cash flow from financing operations	-53.4	-1.7
Currency translation differences	-1.0	-0.2
Net cash flow	-161.4	-33.9
Cash and cash equivalents at the beginning of the reporting period	230.8	211.1
Cash and cash equivalents at the end of the reporting period	69.4	177.2

The net cash flow from operating activities can be negative in the first six months on account of the exhibition schedule, since a large number of the invoices for services at the spring exhibitions (Baselworld, Muba) are paid in the fourth quarter of the previous year already. In the 2016 business year, a certain amount of income from Swissbau was also entered into the books in the fourth quarter of 2015 already. Apart from this, in the first half of each year, a corresponding outflow is incurred on the setup and operating expenditure for these spring exhibitions. In addition, MC² was acquired in the first semester of 2017.

Development of Consolidated Shareholders' Equity

Development of Consolidated Shareholders' Equity (abridged)	Share capital	Capital reserves	Retained earnings	Minority interests	Total
	CHF million	CHF million	CHF million	CHF million	CHF million
As per 01.01.2016	60.1	74.3	273.3	0.2	407.9
Currency translation differences			-0.2		-0.2
Dividend 2015, paid in 2016			-3.0		-3.0
Group profit 01.01.2016 – 30.06.2016			56.1	-0.2	55.9
As per 30.06.2016	60.1	74.3	326.2	0.0	460.6
As per 01.01.2017	60.1	74.3	304.1	0.5	439.0
Currency translation differences			-1.2		-1.2
Goodwill			-87.5		-87.5
Transactions with minority interests			1.5	1.0	2.5
Dividend 2016, paid in 2017			-3.0		-3.0
Group profit 01.01.2017 – 30.06.2017			26.5	-0.1	26.4
As per 30.06.2017	60.1	74.3	240.4	1.4	376.2

Notes to the first-half result 2017

1. Accounting principles

The present consolidated half-year financial statement takes in the non-audited first-half accounts for MCH Group Ltd. and its subsidiaries for the reporting period ending 30 June 2017. The abridged first-half financial statement has been drawn up in accordance with the current guidelines of the Swiss GAAP FER 31 professional recommendations (complementary recommendations for listed companies).

2. Sales by divisions

The operating income of the divisions is shown subsequent to consolidation. The “Exhibitions” Division takes in all income from exhibitions and related services. The “Venues” Division covers the rental business for the hall infrastructure (third-party events, no MCH Group exhibitions) and general services. The “Live Marketing Solutions” Division covers services that are directly invoiced to the customers by the services companies.

3. Changes in consistency

In the 2012 financial year, as part of the financing concept for the “Messe Basel New Buildings” project, MCH Swiss Exhibition (Basel) Ltd. received a non-repayable loan, secured by a mortgage, of CHF 50 million from the Canton of Basel-Stadt, as a financing contribution à fonds perdu for the Congress Center Basel. As is set out below, the loan is to run for 20 years and incurs the obligation to continue operating the Congress Center Basel over this period.

As of 2013 and up until the 2016 reporting period, the amount of the loan and the book value of the corresponding tangible fixed asset were reduced by CHF 1.9 million in the first half of the year. To enhance the information value of the group accounts, the MCH Group has taken the decision to set out this situation, which is not governed by the SWISS GAAP FER, as follows from now on: the reduction in the loan is posted as other operating income and the reduction in the book value of the tangible fixed asset as depreciation. This change in the accounting method does not affect the operating result.

The report on the first-half result is posted on the MCH Group website under “News” / “Reports”. Printed copies will only be sent out on request.

On the MCH Group website, you can register under “MCH Group” / “Investor Relations” / “News per E-Mail” to receive all notifications of relevance to the stock exchange by e-mail.

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The impact on the figures for the first half of 2016 is as follows in the shortened version of the group income statement and the balance sheet: the item “Operating income” now also includes the CHF 1.9 million reduction in the loan (2016 business year restated: CHF 1.9 million) and the item “Operating expenses” contains the depreciation of the corresponding tangible fixed asset of CHF 1.9 million on the basis of the utilisation-related depreciation (2016 business year restated: CHF 1.9 million). The group profit in the first half of 2016 remains unchanged at CHF 55.9 million.

4. Change in consolidated companies

In April 2017, the MCH Group acquired 100 % of the shares in American group MC². In the context of a retention and loyalty programme, 2 % of the shares were sold to the American management.

5. Seasonal fluctuations

The big exhibitions in the 2017 exhibition schedule were staged in the first half of the year, which is why, in the first-half result for MCH Swiss Exhibition (Basel) Ltd., the depreciation of fixed assets has been increased in proportion to the use made of them. In addition, the summer months with very few events come in the second half of the year.

In view of the major seasonal fluctuations in the exhibition business and the impact of additional factors such as the consolidation of MC², it is not possible to linearly extrapolate the half-year result to draw conclusions regarding the expected result for the year as a whole.

Statements regarding the expectations for 2017 and subsequent years may be found in the report on the first-half result under “Expectations for 2017” and “Outlook”.

Basel, 5 September 2017

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The First-Half Report 2017 of the MCH Group is published in German, English and French. The German version is binding.