



First-half-result 2018
MCH Group

First-half result 2018 in line with expectations

- First half 2018: Increase in sales and decline in profits compared with the previous year.
- Expectations for 2018: Negative result from operating activity and renewed value adjustment for the infrastructure in Basel.
- Action plan for the necessary transformation process drawn up and being implemented.
- Hans-Kristian Hoejsgaard new CEO ad interim.

For the reporting period from 1 January to 30 June 2018, the MCH Group has posted a consolidated first-half result which is in line with expectations. Despite a substantial decline in earnings from the Baselworld Watch and Jewellery Show, a clear increase in operating income was achieved by comparison with the first half of the previous year, primarily on account of the strong exhibition schedule (Swissbau) and the MC² effect, which had an impact over the entire reporting period for the first time. The group profit is 17 % below the figure for this same period the previous year, due first and foremost to the reduced earnings from Baselworld.

Income statement and balance sheet

Consolidated operating income for the reporting period from 1 January to 30 June 2018 totals CHF 356.6 million and is 16.7 % above the figure for the first six months of the previous year (CHF 305.6 million). The operating expenditure of CHF 330.9 million is up 20.1 % on the previous year (CHF 275.5 million). Like-for-like profitability has thus declined. The EBITDA is CHF 53.4 million (previous year CHF 63.7 million), while the EBIT is CHF 25.7 million (previous year CHF 30.1 million). The consolidated group profit (share of MCH Group shareholders) is CHF 21.9 million (previous year CHF 26.5 million), corresponding to a group profit margin of 6.1 % (previous year 8.7 %).

The balance sheet total as per 30 June 2018 is CHF 733.9 million (as per 31 December 2017 CHF 688.2 million), which divides up into current assets of CHF 327.6 million and fixed assets of CHF 406.3 million. The liabilities side shows outside capital of CHF 477.8 million and equity of CHF 256.1 million. The equity ratio stands at 34.9 % (as per 31 December 2017 34.0 %). Over the reporting period, cash and cash equivalents have risen from CHF 115.9 million to CHF 212.8 million due to the successful placing of the CHF 100 million debut bond in April 2018.

Most important factors

MCH exhibitions:

The first half of 2018 was a strong half year in terms of exhibition schedules, with the staging of Swissbau. As the leading national exhibition for the construction industry, Swissbau was highly successful. Other national exhibitions – Giardina, SWISS-MOTO and Powertage – held their ground well or were even able to expand. Art Basel (staged in Hong Kong and Basel during the first half of 2018) further strengthened its leading market position and economic stability. The decline in sales in the MCH Group Exhibitions Division of CHF 10.5 million (4.7 %) compared with the same period the previous year is due primarily to the reduced duration and size of Baselworld 2018. The show nonetheless achieved a positive result that was above the expectations. The general consumer fair of Muba, by contrast, produced a deficit once again. It is thus being staged for the last time in 2019.

Live Marketing Solutions:

The doubling of sales in the Live Marketing Solutions Division compared with this same period the previous year (up CHF 63.9 million or 102 %) is attributable primarily to the US subsidiary MC², which only made its mark on the group accounts for two months during the first half of 2017. The Live Marketing Solutions Division thus accounts for more than one third of the group's overall sales in the first half of 2018. This growth must not, however, be allowed to conceal the fact that various sections within this division, namely in the national market, are struggling with declines. Profit margins in this field of business are also under severe pressure.

Investments:

The fundamentally downward trend in the classical exhibition and event business that has been evident for many years is coupled with the urgent need to introduce greater digitisation in the live marketing business. The increase in operating expenditure is due, among other factors, to investments that are addressing this situation: the development of new formats (such as Grand Basel), the further development of the concepts for existing products (including for Baselworld) and, in particular, various projects aimed at achieving the necessary digitisation in all areas of business activity.

Restructuring:

The restructuring operations, for which special provisions amounting to CHF 17.7 million were made in the 2017 annual accounts, were implemented or taken forward in the first half of 2018. As per 1 July 2018, the MCH Group transferred responsibility for the operation and marketing of the Lausanne exhibition site to the Fondation de Beaulieu and is now concentrating on organising its own exhibitions at the Lausanne location. In the Live Marketing Solutions Division, the group's competences and services in the field of strategy and concept development are to be further expanded. This process is being supported by the simplification of the company structure for the companies located in Switzerland, the alignment of the brand architecture and the concentration of different units at a central geographic location. This process was triggered in spring 2018 and has been worked on intensively since then.

Transformation

The MCH Group is undergoing a process of transformation in which it has to align itself to the major changes taking place in the classical exhibition and event business. The most prominent example of this is Baselworld, which is subject to the profound structural changes emerging in the watch and jewellery industry. The first necessary adjustments were made with the reduction in the duration and size of Baselworld 2018 and this has provided a firm basis on which to further develop the concept for Baselworld 2019 and 2020. Over the past few months, the show team, under the new leadership of Michel Loris-Melikoff, has worked on initial adjustments to the concept for Baselworld 2019, which have been presented to the different exhibitor committees and have been well received. The withdrawal of the Swatch Group from Baselworld 2019 is impairing this process but does not jeopardise the staging of the show. The MCH Group is convinced that it is on the right path with the necessary realignment of Baselworld and will be continuing this process in close cooperation with the exhibitors.

At the start of August 2018, the Board of Directors of the MCH Group and CEO René Kamm took the decision to implement a change in the top operational management of the company group. Following this, Dr. Ulrich Vischer, Chairman of the Board of Directors, assumed responsibility for the operative management of the group as the delegate of the Board of Directors.

On 4 September 2018, the Board of Directors appointed Hans-Kristian Hoejsgaard as interim CEO of the MCH Group. He will be holding this function until the definitive appointment of a new CEO. Hans-Kristian Hoejsgaard has more than 30 years' experience in managerial functions in the luxury and consumer goods industry as well as in the specialist retail trade. Among his other posts, he was CEO of Oettinger Davidoff AG in Basel from 2011 to 2017.

Prospects

Over the past few weeks, the management has been looking intensively into the continuing transformation process and has worked out a corresponding action plan. The corporate strategy of expanding the range of services offered, boosting international presence and increasing digitisation is essentially being maintained, with the different initiatives being subject to a further review on the basis of the findings already obtained. In addition to clearly focusing on those strategic projects with the highest and most sustainable potential, the organisation is to be streamlined and the synergies between the individual business fields better exploited. This transformation process will take a prolonged period of time. In addition, the future capacity utilisation of the infrastructure in Basel is to be examined in respect of potential development scenarios in the exhibition and event business.

Since the strongest events are always held in the first half of the year, and the summer months when no events are staged come in the second six months, business is always weaker in the second half and runs at a loss. With Swissbau, the first six months of 2018 have benefitted from a strong exhibition schedule, although this exhibition-cycle effect has been weakened by comparison with previous years on account of the lower revenue from Baselworld. Prodex and Swisstech will also be missing from the cyclically weak second half of 2018, since they have had to be postponed from autumn 2018 to spring 2019. In addition, the development costs for the first edition of Grand Basel are higher than originally planned.

These factors mean that the MCH Group has to correct its expectations for the 2018 annual result. The group is reckoning with a negative annual result for 2018 in the single-digit range, prior to special depreciations. It is to be expected that, on the basis of the review to be carried out, a renewed value adjustment will need to be made for the exhibition halls in Basel that can lead to an annual loss running into the three-digit millions.

Group income statement and balance sheet for the first-half result for 2018

| Group income statement (abridged) | 01.01.–30.06.2018 | | 01.01.–30.06.2017 | | 01.01.–30.06.2016 | |
|--|-------------------|----------|-------------------|----------|-------------------|----------|
| | CHF million | %/income | CHF million | %/income | CHF million | %/income |
| Operating income | 356.6 | | 305.6 | | 337.4 | |
| Operating expenses | -330.9 | | -275.5 | | -277.5 | |
| Operating result | 25.7 | | 30.1 | | 59.9 | |
| Financial result net | -3.0 | | -1.9 | | -1.9 | |
| Result from ordinary activities | 22.7 | | 28.2 | | 58.0 | |
| Result of associated companies | 0.1 | | -0.5 | | 0.0 | |
| Earnings before taxes | 22.8 | | 27.7 | | 58.0 | |
| Taxes | -1.3 | | -1.3 | | -2.1 | |
| Group profit | 21.5 | | 26.4 | | 55.9 | |
| Of which, minority shareholders | 0.4 | | 0.1 | | 0.2 | |
| Of which, shareholders of MCH Group | 21.9 | 6.1 | 26.5 | 8.7 | 56.1 | 16.6 |
| EBITDA | 53.4 | 15.0 | 63.7 | 20.8 | 92.0 | 27.3 |
| EBIT | 25.7 | 7.2 | 30.1 | 9.8 | 59.9 | 17.8 |
| | 01.01.–30.06.2018 | | 01.01.–30.06.2017 | | 01.01.–30.06.2016 | |
| | CHF | | CHF | | CHF | |
| Earnings per share (diluted / undiluted) | 3.65 | | 4.40 | | 9.35 | |
| Operating income by divisions | 01.01.–30.06.2018 | | 01.01.–30.06.2017 | | 01.01.–30.06.2016 | |
| | CHF million | % | CHF million | % | CHF million | % |
| Exhibitions (MCH exhibitions) | 211.9 | 59.4 | 222.4 | 72.8 | 264.8 | 78.5 |
| Venues (third-party events) | 18.1 | 5.1 | 20.5 | 6.7 | 21.8 | 6.5 |
| Live Marketing Solutions | 126.6 | 35.5 | 62.7 | 20.5 | 50.8 | 15.0 |
| Total operating income | 356.6 | 100.0 | 305.6 | 100.0 | 337.4 | 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) | 30.06.2018 | | 31.12.2017 | |
|-----------------------------------|-------------|-------|-------------|-------|
| | CHF million | % | CHF million | % |
| Current assets | 327.6 | 44.6 | 259.9 | 37.8 |
| Non-current assets | 406.3 | 55.4 | 428.3 | 62.2 |
| Total assets | 733.9 | 100.0 | 688.2 | 100.0 |
| Short-term liabilities | 105.1 | 14.3 | 185.9 | 27.0 |
| Long-term liabilities | 372.7 | 50.8 | 268.6 | 39.0 |
| Total liabilities | 477.8 | 65.1 | 454.5 | 66.0 |
| Shareholders' equity | 256.1 | 34.9 | 233.7 | 34.0 |
| Total equity and liabilities | 733.9 | 100.0 | 688.2 | 100.0 |

Group Cash Flow Statement

| Group Cash Flow Statement (abridged) | 01.01.–30.06.2018 | 01.01.–30.06.2017 |
|--|-------------------|-------------------|
| | Mio. CHF | Mio. CHF |
| Net cash flow from operating activities | 1.0 | 6.1 |
| Net cash flow from investment activities | -5.6 | -113.1 |
| Net cash flow from financing operations | 100.4 | -53.4 |
| Currency translation differences | 1.1 | -1.0 |
| Net cash flow | 96.9 | -161.4 |
| Cash and cash equivalents at the beginning of the reporting period | 115.9 | 230.8 |
| Cash and cash equivalents at the end of the reporting period | 212.8 | 69.4 |

Since payment is received in the fourth quarter of the previous year for a large proportion of the invoices for services at the spring exhibitions, this reduces the net cash flow from operating activities during the first half of the reporting year. In the 2018 business year, income from Swissbau was also entered into the books in the fourth quarter of 2017 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. The acquisition of the MC² company took place in the first half 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 01.01.2017 | 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 |
| As per 01.01.2018 | 60.1 | 74.3 | 97.9 | 1.4 | 233.7 |
| Currency translation differences | | | 1.2 | | 1.2 |
| Goodwill | | | -0.3 | | -0.3 |
| Group profit 01.01.–30.06.2018 | | | 21.9 | -0.4 | 21.5 |
| As per 30.06.2018 | 60.1 | 74.3 | 120.7 | 1.0 | 256.1 |

Notes to the first-half result 2018

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 2018. 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 organised by the MCH Group itself and the associated services. The “Venues” Division covers the rental business for the hall infrastructure (thirdparty events, no MCH Group exhibitions) and general services (e.g. car-park income). The “Live Marketing Solutions” Division covers services that are directly invoiced to the customers by the services companies.

3. Changes in consolidated companies

In April 2017, the MCH Group acquired 100 % of the shares in the American MC² company group. Two percent of the shares were sold to the American management as part of a bonding and loyalty programme.

4. Seasonal fluctuation

The biggest exhibitions in the 2018 event programme took place in the first six months of the year. This is why, in the first-half accounts for MCH Swiss Exhibition (Basel) Ltd., the depreciation of the fixed assets has been increased in proportion to the actual physical wear and tear incurred.

In addition, the summer months during which few events are staged come in the second half of the year. In view of the major seasonal fluctuation in the exhibition business, it is not possible to extrapolate the first-half result on a linear basis and draw conclusions regarding the expected annual result.

For statements on the expectations for 2018, see the report on the first-half 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.

You will also find the MCH Group at:



Basel, 4 September 2018

MCH Group Ltd., 4005 Basel
+41 58 200 20 20
info@mch-group.com
www.mch-group.com

The First-Half Report 2018 of the MCH Group is published in German, English and French. The German version is binding.