

A background image showing a group of business professionals in a meeting, looking at documents and discussing. The image is overlaid with a semi-transparent blue grid pattern.

# **IMPEL S.A.**

# **Management Presentation**

## **Q1 2004 Results**

May 17, 2004



*All data according to Polish Accounting Standards*



# Presentation outline

## Q1 2004 Results

- Developments since IPO
- Financial results
  - Q1 2004 results
  - Revenue and margins by segments
  - Revenue and profit 2004 forecasts sustained
- Strategy
  - GP Bis transaction
  - “Accelerated growth strategy” project
  - M&A
  - New business
- Corporate matters

# Developments since IPO

## Development of activity

- New major clients

<b>client</b>	<b>month</b>	<b>total revenue PLN m</b>
2 major hospitals (cleaning)	Oct' 03	35,0*
BOŚ bank (security)	Dec' 03	27,3*
DTC (FM, cleaning, security)	Feb' 04	24,8*
PKO BP bank (cleaning)	Mar' 04	56,0*

- New business development
  - Facility management, GP bis acquisition
  - Laundry and rental business (new legal entity)
- Quality certificate ISO 9001:2000 for cleaning business
- Selling of MegaCom
- Grzegorz Dzik active in Management Board
- Organisational improvements underway



\* long-term contracts (revenue posted for 5 years)

# 2003 and Q1 2004 results

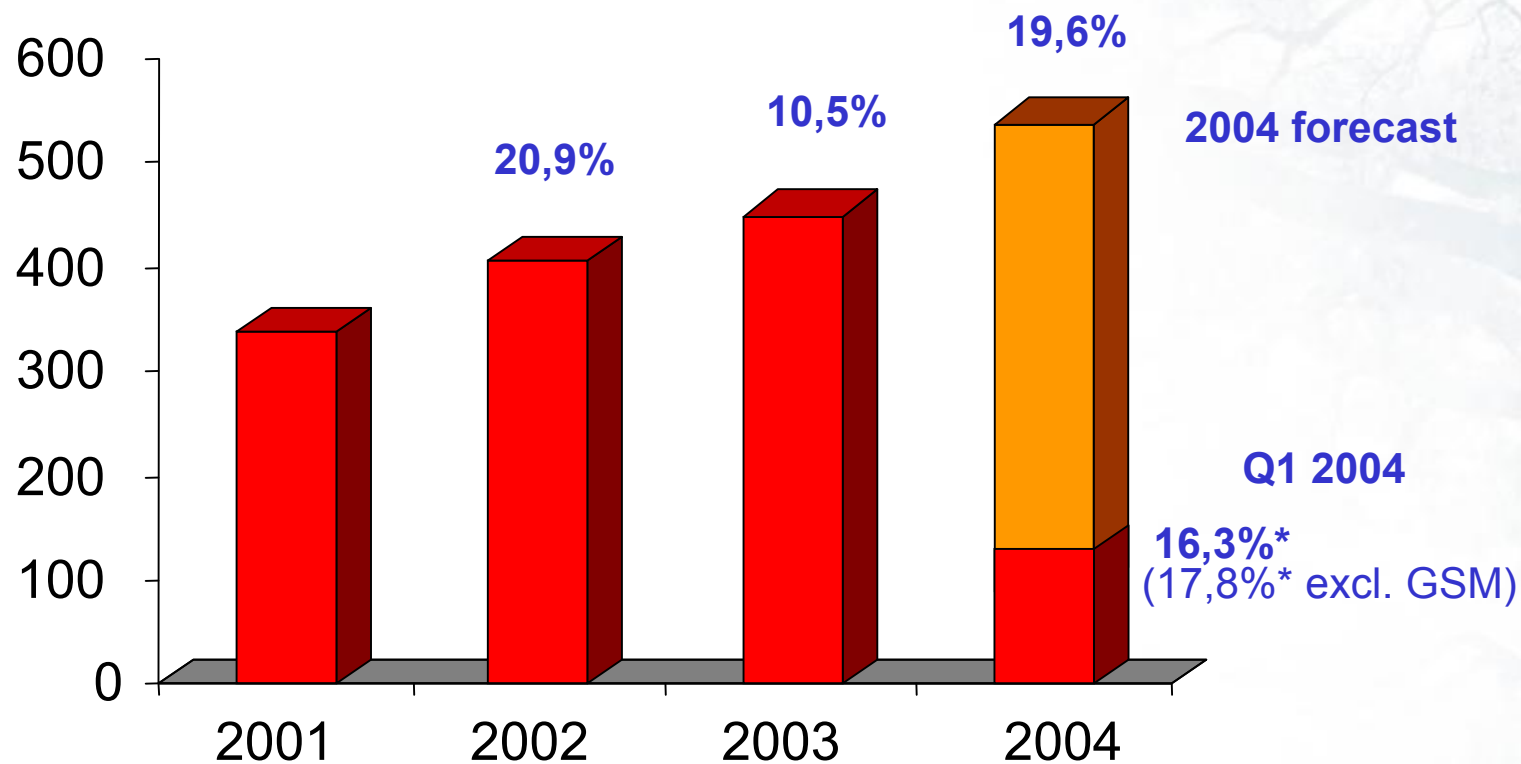
## Key figures

<b>'000 PLN</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>Q1 2004</b>
Revenue	336 147	406 417	449 130	130 587
Operating profit (EBIT)	8 411	24 378	25 555	4 243
Profit (loss) before tax	(97)	20 131	22 935	4 389
Profit (loss) after tax	(187)	34 495	22 017	3 293
EBITDA	22 181	40 532	44 311	9 437
Total assets	194 929	235 075	393 856	373 059
Long term liabilities	21 447	7 803	7 140	5 852
Current liabilities	94 811	109 702	98 954	111 657
Interest bearing debt	45 580	30 442	19 388	17 853
Net assets	55 765	89 709	255 684	220 976

# Revenues

## Dynamic growth in Q1

PLN m

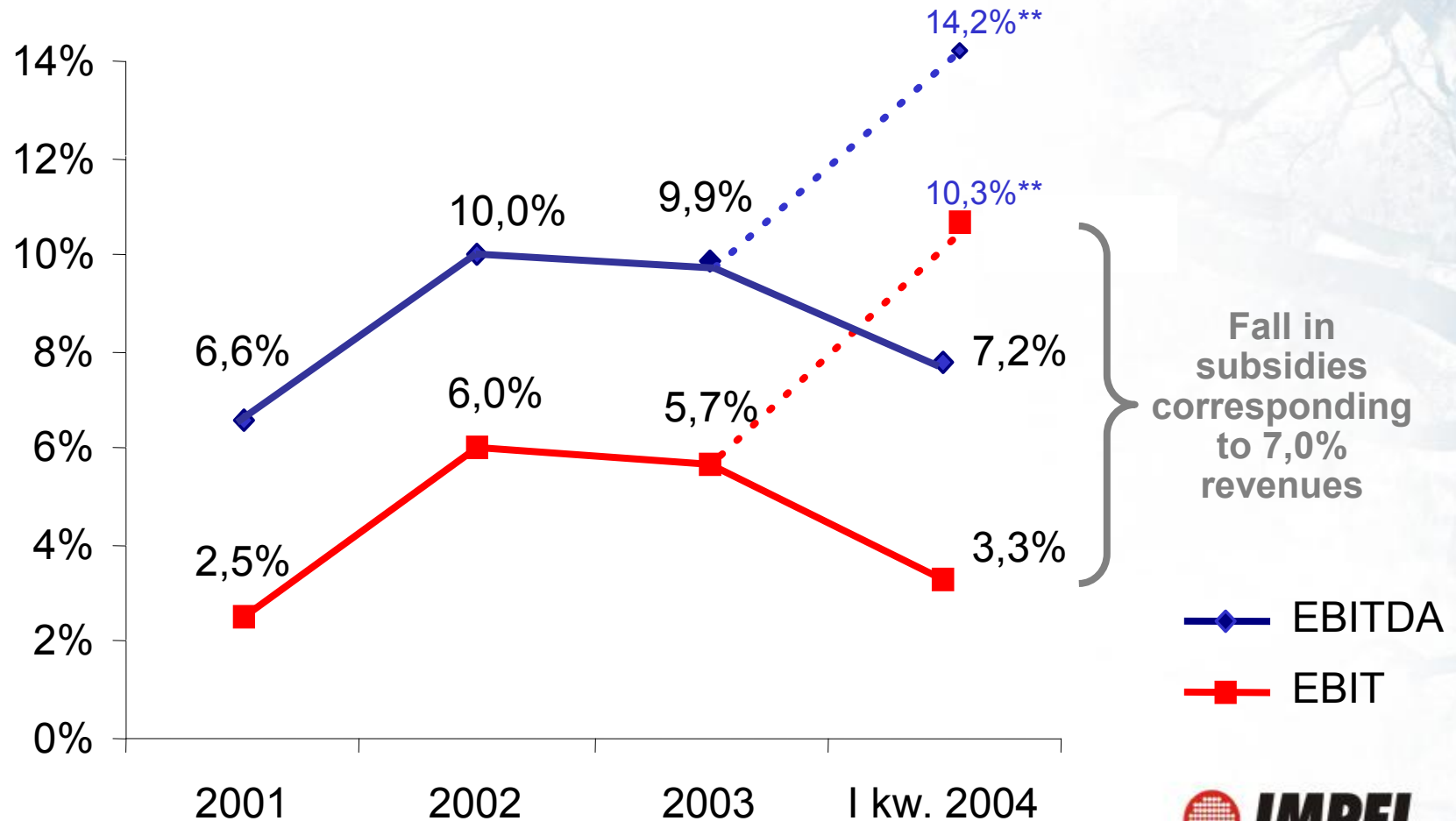


\* growth ratio as compared to average 2003 quarter



# Operating margins

Fall in subsidies partly recovered already



\*\* margin increased by the reduction in subsidies (7,0% of revenues in Q1 2004)

# Segmental results

Revenue growth, improvement in catering

	Cleaning			Security			Catering		
	2002	2003	Q1 2004	2002	2003	Q1 2004	2002	2003	Q1 2004
Net revenue change %	158 323	189 477 19,7%	55 948 18,1%*	165 719	179 144 8,1%	47 560 6,2%*	40 886	47 784 16,9%	13 111 9,8%*
EBIT before SG&A**	31 138	37 237	8 138	23 169	29 563	6 168	431	(2 137)	16
EBIT before SG&A%**	19,7%	19,7%	14,5%	14,0%	16,5%	13,0%	1,1%	-4,5%	0,1%

\* growth ratio as compared to average 2003 quarter

\*\* without overhead expenses





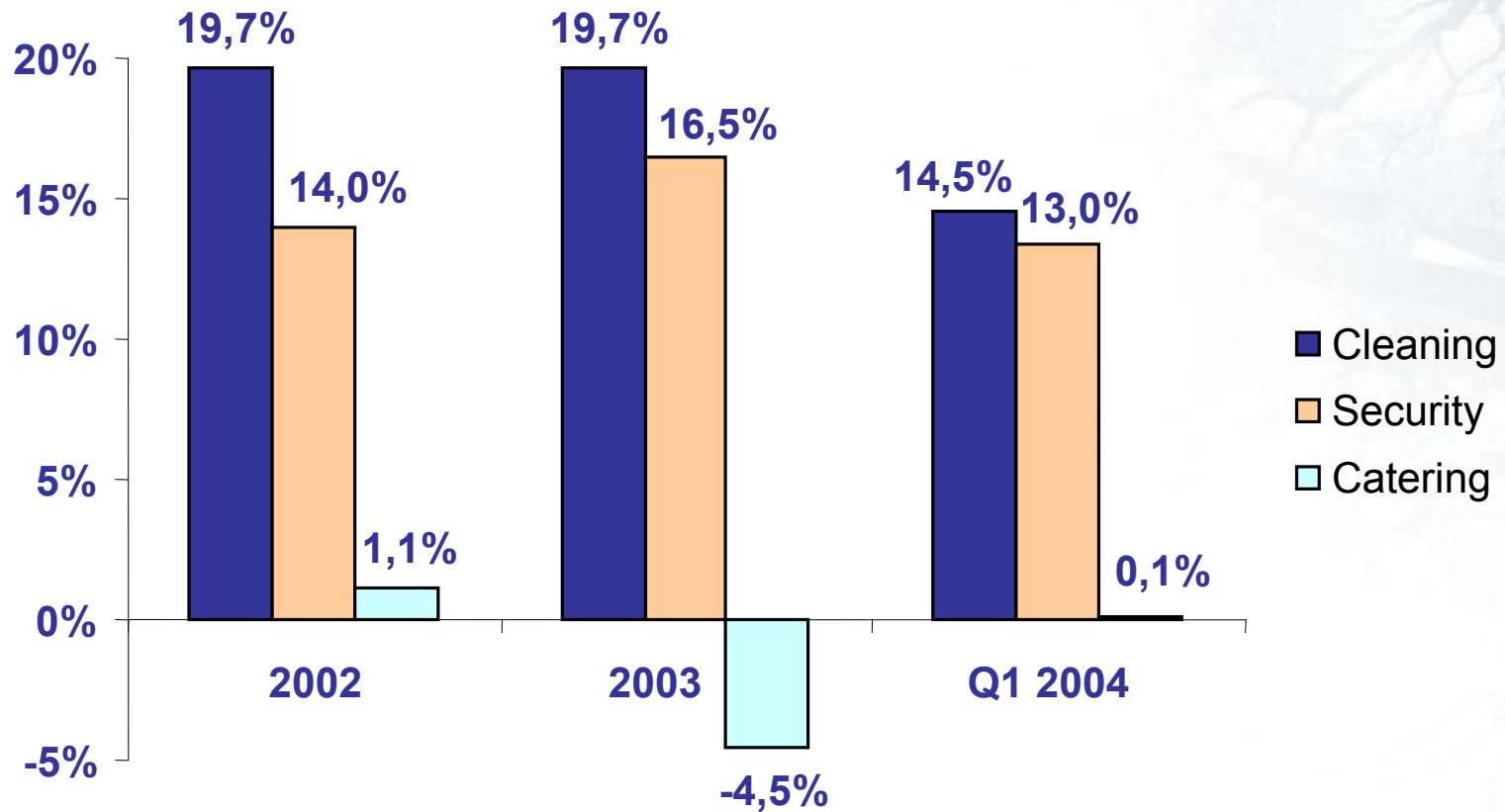
## Revenues by segments

### New segments in core business

Segment	Revenue 2003	Share in Group revenues	Revenue Q1 2004	Share in Group revenues
Cleaning	189 477	42,2%	55 948	42,8%
Security	179 144	39,9%	47 560	36,4%
Catering	47 784	10,6%	13 111	10,0%
Facility management	1 775	0,4%	8 761	6,8%
Washroom & textile rental	7 933	1,8%	2 218	1,7%
Other	23 017	5,1%	2 989	2,3%

# Operating margins

## Margins improvement in catering





# Catering

## Operational and strategic assessment

- Negative margins in 2003
- Working on margin improvements in 2004
  - labor cost more flexible
  - termination of loss making contracts
  - closing underutilised production facilities
  - further application of cook & chill technology
- Balanced growth (positive margin operational target)
- Hospitals receivables under control



## Q1 2004 results

### In line with budget

- Q1 revenue 16,3% above 2003 quarterly average (17,8% without GSM)
  - management plan exceeded
  - further revenue increase planning in Q1-Q2 2004
  - without M&A impact (except GP Bis)
- ZPChr subsidies reduction
  - subsidies level 14,6% of revenues (21,6% in 2003)
  - only 5% below expectations (budget)
  - subsidies grow in line with revenues
- EBITDA margin 7,2% (9,9% in 2003)
  - Q1 improvement of 4,3% before subsidies (compared to full 2003 average)
  - new margin (5 - 8% before subsidies) generated on new revenues
  - savings from labour cost optimisation (impact of min. 1.0% of revenues)
  - cost savings resulting from Group restructuring
- PAT – PLN 3,3 m 11,4% of planning PAT in 2004
  - in line with annual trajectory



## 2004 Forecast

### 2004 forecast sustained

- Revenue forecast of 537 PLN m likely to be exceeded
  - strong business pipeline
  - Q1 budget delivered
- PAT forecast of 29 PLN m sustained
- EBITDA change (based on organic only)
  - increase in absolute figures comparing to 2003 (44.3 PLN m in 2003)
  - ca. net 10 PLN m lost in subsidies (2004/2003)
  - subsidies loss to be fully recovered in 2004
    - additional revenue
    - cost savings
  - Good starting point to 2005
- Net interest expense lower by 6 PLN m on PBT compared to 2003
- Tax losses (credits) to be utilised (impact 1.3 PLN m), effective tax rate expected to be below 19%



# 2004 Threats

## Margins challenged

- Revenues
  - Low risk due to strong business pipeline
- Subsidies
  - New regulations excluded right to subsidies for certain employees groups
  - To grow subsidies new disabled employees required
  - New regulations, no practice so far (following EU entry)
- Margin pressure
  - Purchasing power of large clients
  - Price competition on public tenders
  - Price changes after EU entry
- Taxes & regulatory
  - VAT regulations change from May 1<sup>st</sup>
  - New regulations (services classification, transport cost)



## GP Bis deal

### Acquisition in line with strategy

- New outsourcing product, integrating:
  - technical maintenance + cleaning + security
  - administration services
- Cross-selling
- Important client win post acquisition (DTC, 24.8 PLN m in 5 years)
- Diversification
- Access to A-class office and commercial space clients
- High growth engine (40% growth target in 2004)
- Break-even results (in line with plan)



## Accelerated growth strategy

### To be communicated in 2-3 months

- Formal project underway
- Internal team fully devoted plus external experts
- Results will be reported to investors within 2-3 months
- Major Project Goal: **Further enhancement of shareholder value** to exceed investors expectations at IPO through:
  - i. accelerated organic growth
    - margin enhancement
    - revenue growth
    - internal benchmarking
    - cross-selling and bundling optimisation
    - new business/clients
  - ii. Non-organic strategy practical implementation
    - selection of non-organic best options
    - harmonisation of organic growth with M&A strategy
    - perfecting quasi non organic deals (outsourcing spin-off situations)



## New business

### Future growth platforms

- Facility management
  - Integrate cleaning, security and technical services
  - Market in early stage of development, high growth potential
- Textile rental and laundry services
  - Domestic market growth and export possibilities after EU accession
  - Professional washroom/logistic centre to be constructed
    - Greenfield investment in LSSE (special economic zone)
    - Total expected investment of ca. 12 million
    - Business opportunities in Germany
  - Not a „new business“ - experience gained over a few years
- Cash handling
  - extension of security and cash transport business
  - under strategic consideration
  - market being created, outsourcing and spin-off processes in a few major banks on the way



## ••••• Approach to M&A

Quasi non-organic deals in core segments  
M&A further closings after full strategic review

### Pipeline

- Outsourcing spin-offs in cleaning and security business
- A few local, specific client focused targets
- Window opportunity strategy

### Transaction criteria

- NPV > 0 assuming WACC = 15%
- Making money 2 years post acquisition at latest
- Valuation EV/Sales (and EV/EBITDA after 2 years) below Impel
- Earnout schemes preferred to outright sale

# Corporate matters

## Corporate structure in line with IPO promises

- Supervisory board includes independent members (4 of 5)
- Preferential voting rights surrendered on 5,000,000 shares
- Formal share cancellation (after buy back) under way
- Dividend policy maintained (25% of consolidated net profit)
- Founders of Impel do not intend to exit
- Current shareholder and voting structure

