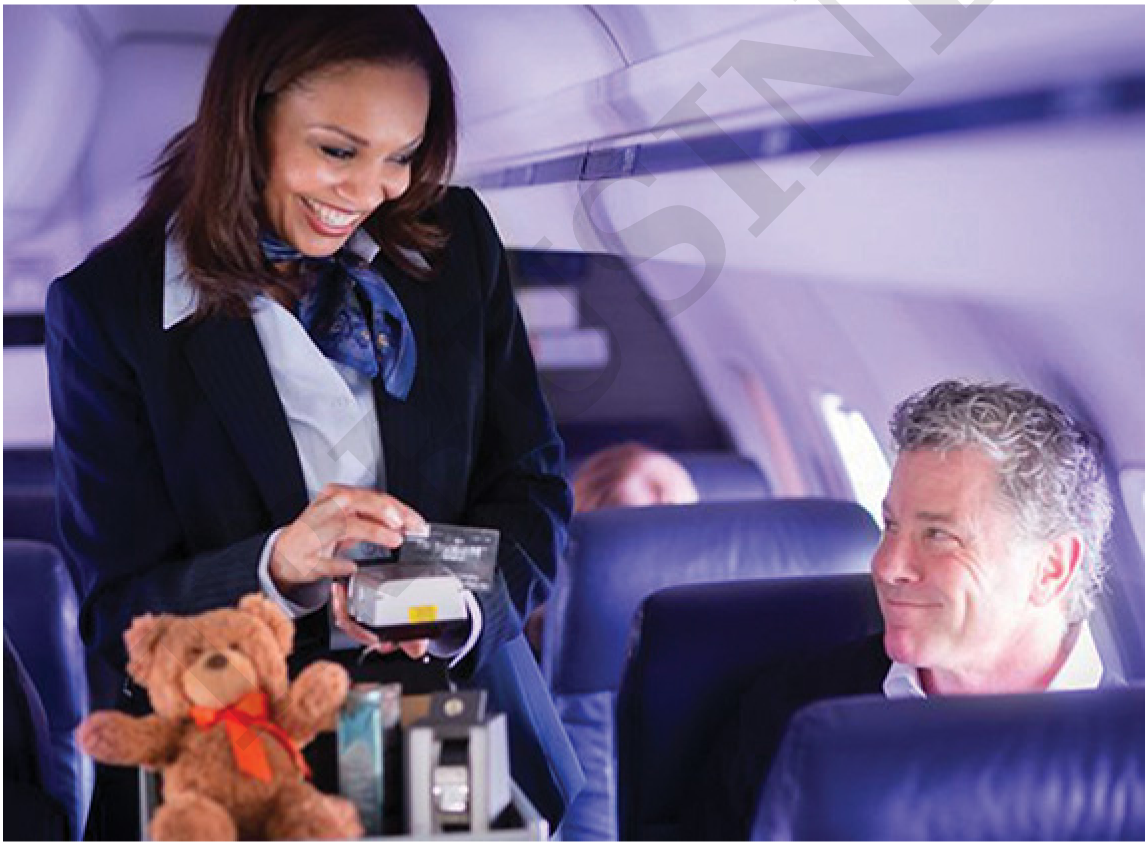
Gategroup hits $759m in Q1 ahead of HNA deal

gategroup Holding AG has reported what it describes as a strong performance for the first quarter of 2016, despite acknowledging a CHF6.5m ($6.58m) loss attributable to shareholders for the same period compared to a CHF38m ($38.4m) loss in Q1 2015.

The company – which is expected to be taken over by China's HNA Group this July – said today that it 'accelerated its financial performance' with revenue at constant currency rising by 11.9% to CHF749.5m ($759.2m) for the quarter, with organic volume growth standing at 5.1%.

It also reports 'significant acceleration in Q1 2016 EBITDA' from CHF10.9m last year to CHF23.8m at constant currency, and 3.0% EBITDA margin compared to 1.6% in Q1 2015.

Just as importantly it says key contract renewals also included Hong Kong Airlines, alongside its entry into the Cambodian market with the 75% acquisition of Cambodia Air Catering Services (CACS) in the Kingdom.



It will be interesting to see how the gateGroup is managed within the HNA Group – assuming that the friendly takeover goes through smoothly this summer.

This has delivered 'a strong network of customers', including Dragonair, China Airlines, Bangkok Airways and the Kingdom's own flag carrier Cambodia Angkor Air.

Gategroup adds that it has also recently achieved some 'important milestones' in line with its core Gateway 2020 strategy as it points to more than CHF170m in revenue per annum in contract renewals achieved in Q1.

It says the results also build on earlier ‘strategic contract renewals’ with United Airlines and American Airlines. More recently this month – and outside these aforementioned results – the company agreed its five-year extension of its catering contract with Hong Kong Airlines at the airline’s main hub in Hong Kong.

IFS INTEGRATION UNDERWAY

The company has also confirmed that the integration of its February purchase of of the Inflight Service Group (IFS) is now ‘well under way’.

The company is now looking at achieving cost synergies of around CHF6m based on cost of goods sold efficiencies and integration of support functions, although this will still take another 18 months to achieve.

In a statement, Swiss-based group added: “By the end of first quarter 2016, gategroup had achieved about 75% of its overhead reduction target of about 300 managerial positions. This reduction effort is expected to be completed as planned by the end of 2016 and will deliver run-rate savings of about CHF20m per annum.

Chinas HNA Group headquarters in Hainan, Mainland China.

“Additionally, gategroup is progressing on savings targets under its Zero Based Budgeting plan. As previously announced, a total of CHF50-60m in annual savings across a range of categories are expected by year-end 2017.

It also reports that net debt at the end of Q1 stood at CHF417.9m, with a net debt to EBITDA ratio of 2.52x, which increased compared to year-end (1.69x) due to IFS financing in February.

In terms of performance by region, North America reported increased total revenue for the quarter of CHF248.4m, while the Latin America region returned total revenue of CHF5.6m. By contrast, the Asia Pacific region generated total revenue for the quarter of CHF77m over the same period.

EXCLUSIVE AGREEMENT

Gategroup hits $759m in Q1 ahead of HNA deal

As reported earlier this year, gategroup has entered into an exclusive agreement to sell 100% of the company to China's HNA Group for CHF.1.4bn ($1.4bn).

This follows the Chinese company's CHF53 cash offer per share announced last April *[click here for more details: http://www.trbusiness.com/regional-news/international/hna-agrees-to-buy-gategroup-for-1-4bn-in-cash/103948].*

This offer is expected to move into its next stage later this month, with a provisional date for completion estimated at around 13 July.