



# Accor Services Investor Day

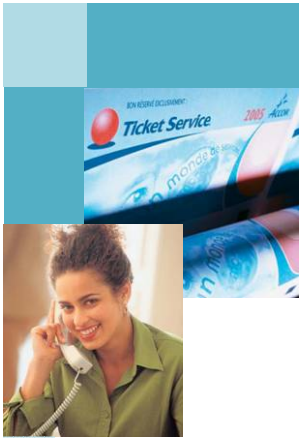
Serge Ragozin

Chief Operating Officer

**ACCOR**  **SERVICES**



# Accor's core businesses



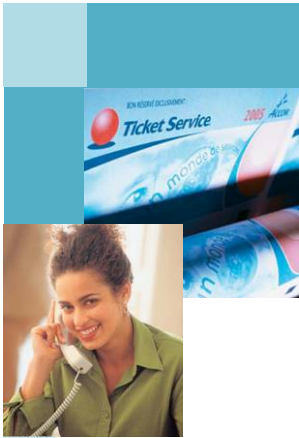
## HOTELS



## SERVICES

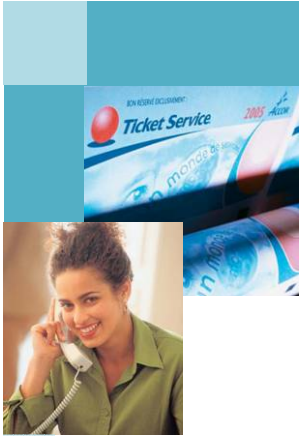


8% of revenue  
37% of profit before tax



# Our Business and Our Market

# Accor Services: a unique business



## *Who we are*



**No.1 issuer of service vouchers**

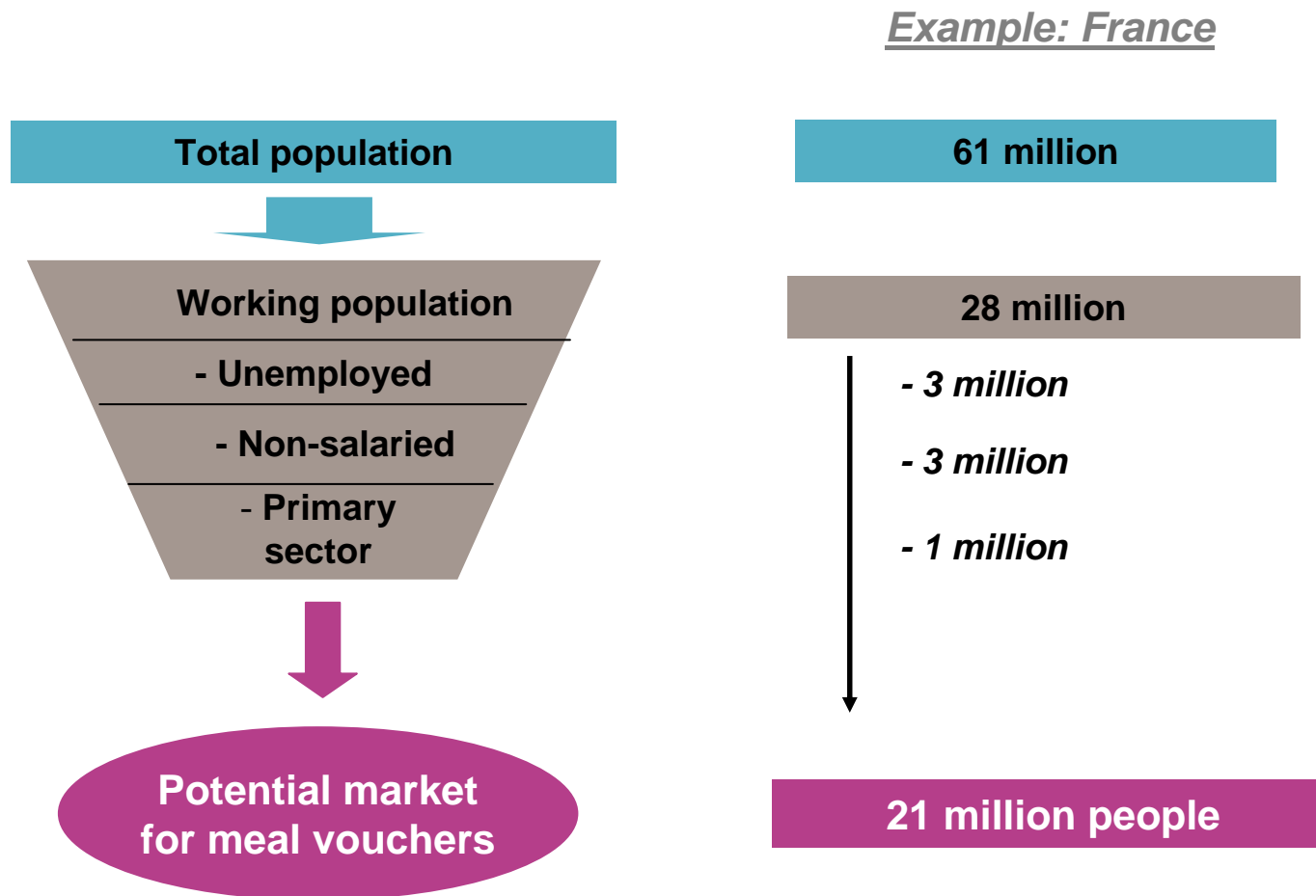
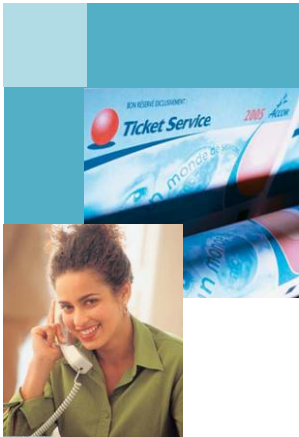
## *What we do*



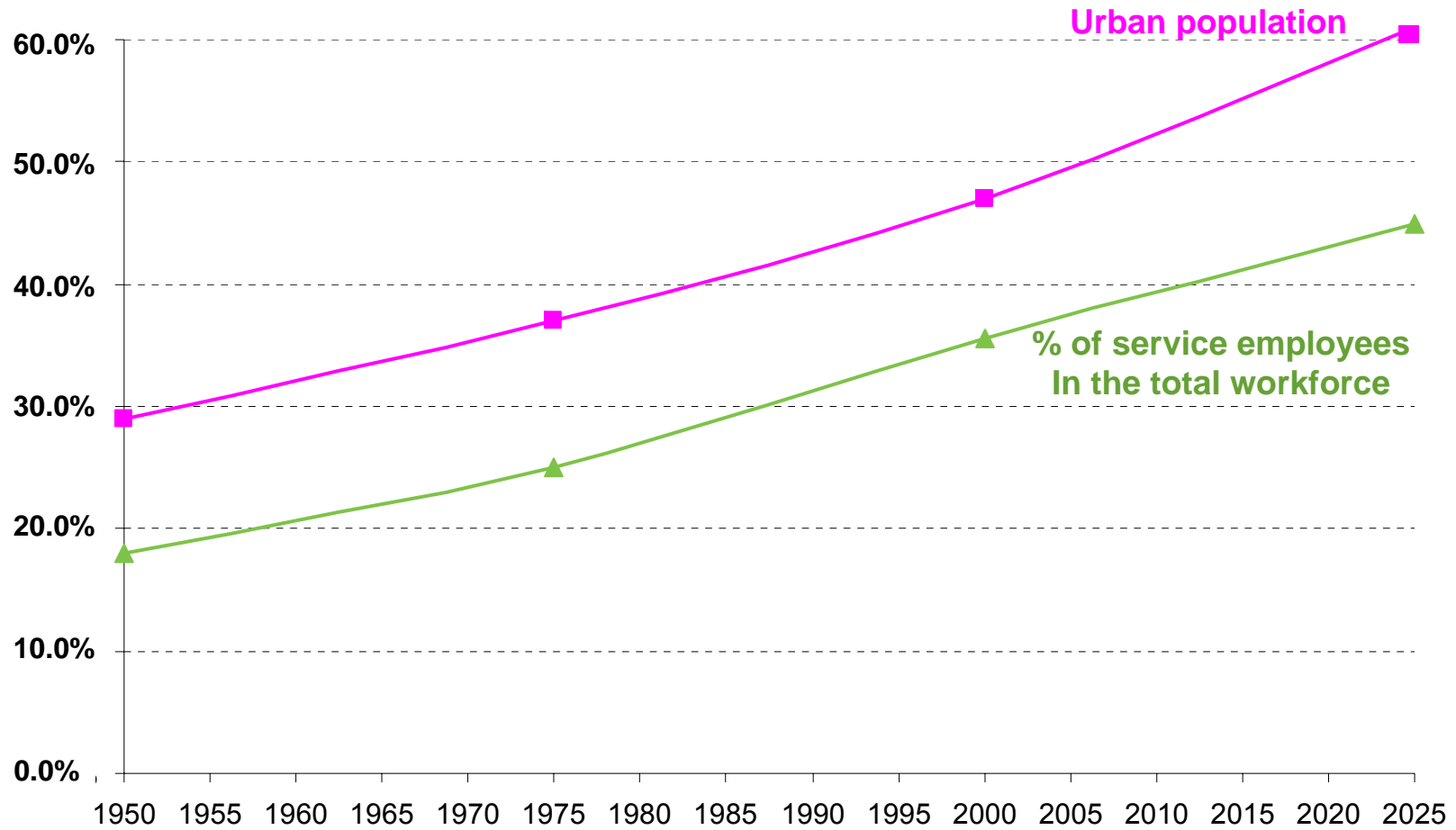
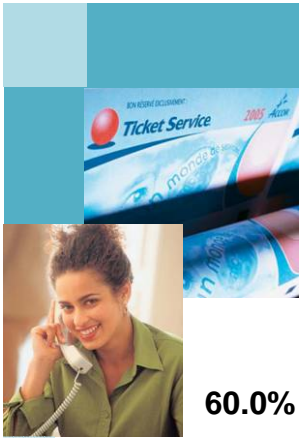
**Accor Services designs and deploys innovative solutions for *corporate clients* that improve *employee* productivity and well-being**

# Our market

A very high potential market: **service employees**

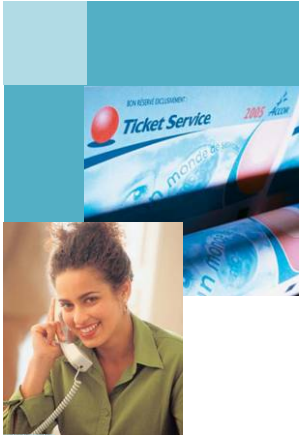


# A growth market



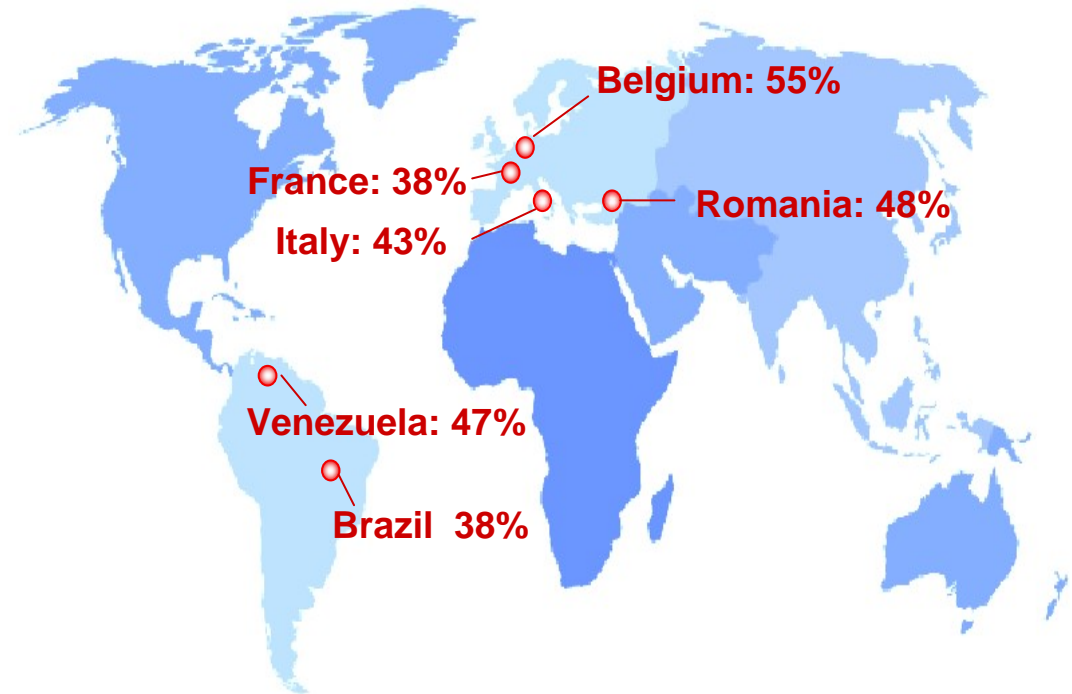
Sources: World Bank / UNSD / OECD

# A global presence and leadership positions



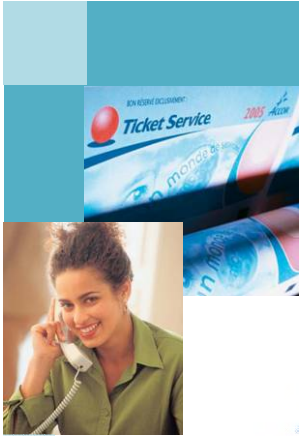
- 35 countries
- 340,000 corporate clients
- 21 million users
- €8.4 billion in issue volume
- 2 billion transactions a year
- 4,200 employees

## Market share (Meal and food vouchers)



*Source: Accor Services*

# Fragmented competition



● A single global competitor

● Local competitors

● New entries in 3 countries

.....→ Small businesses

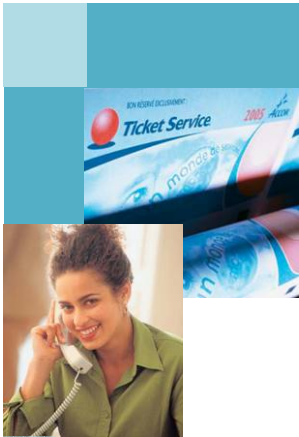
Retailers

.....→ Local banks

# Flagship Products: Meal vouchers / Food vouchers



# Three product families



**Vouchers**  
Transaction-based products

**Customized services**  
Consulting and services platforms

## Human Resources

- Ticket Restaurant
- Ticket Alimentação
- Ticket Childcare Vouchers
- Ticket CESU

## Marketing Services

- Ticket Compliments

## Expense Management

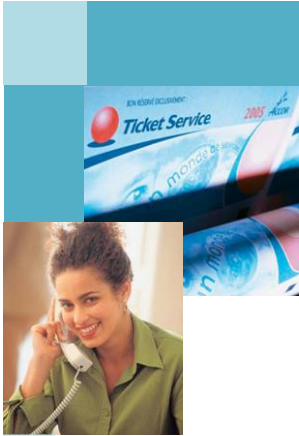
- Ticket Car
- Ticket Clean Way

- WorkLife Benefits ACCOR services

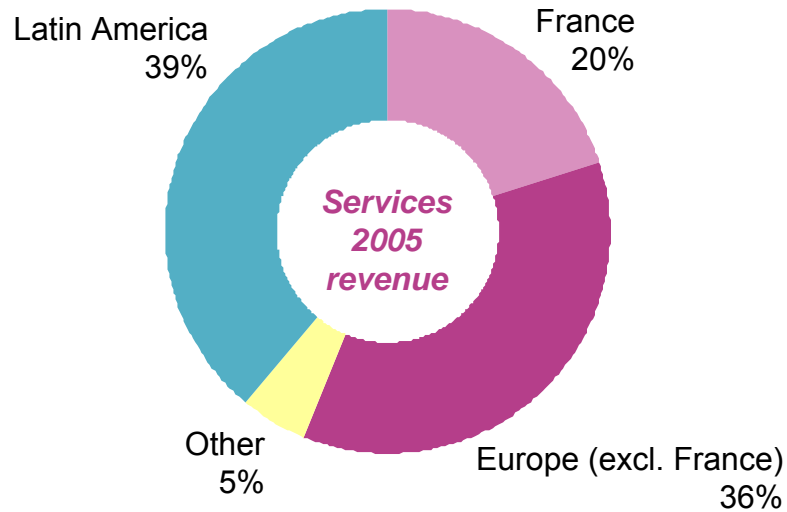
- Accentiv'

- Foragora ACCOR services

# 2005 key figures: breakdown by region

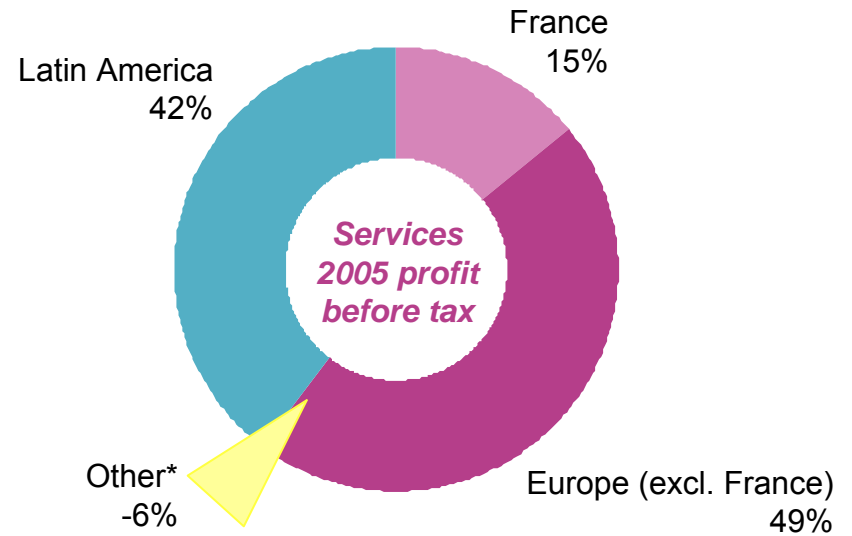


## Revenue 2005



**€630 million**

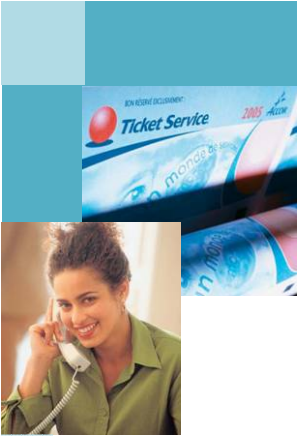
## Profit before tax 2005



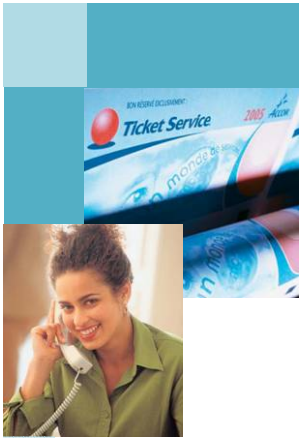
**€226 million**

\*Worldwide structures, North America and Other countries

# Accor's backing and endorsement: a competitive advantage



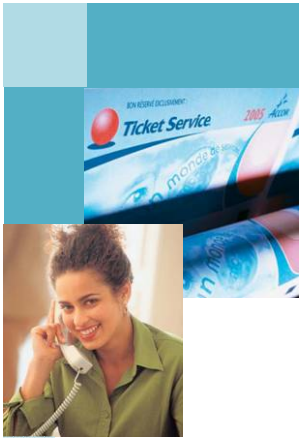
- **International recognition**
- **A solid financial position**
- **The powerful Accor network**



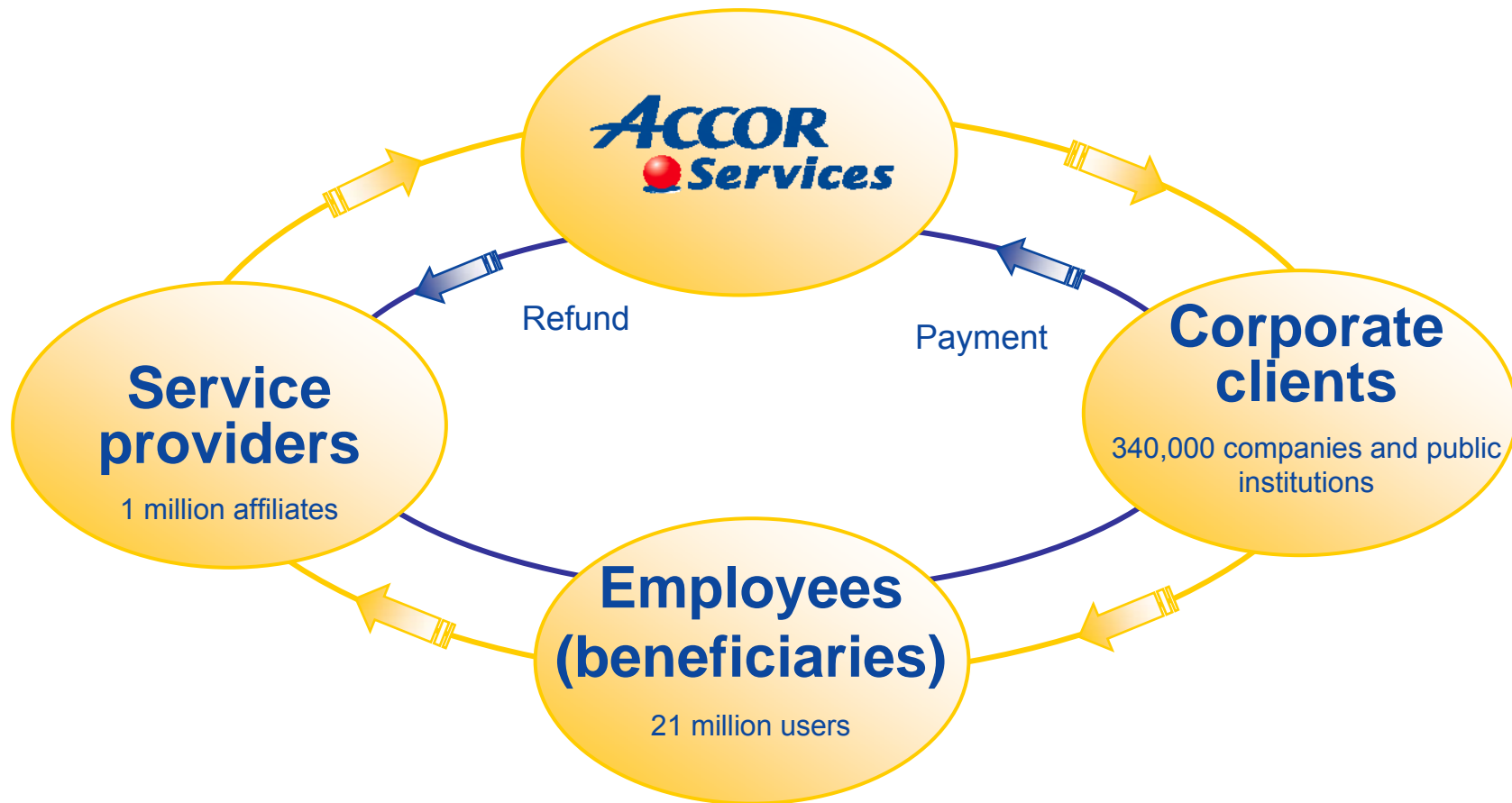
# Business Model:

## Keys to Success

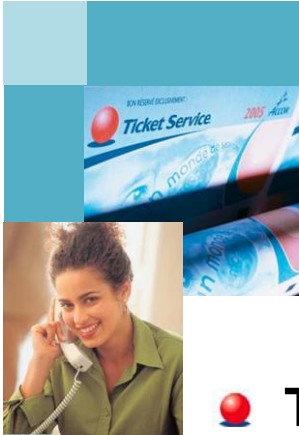
# The Voucher Business Model



Voucher issue volume: €8.4 billion  
Commission rate: 6%  
Voucher revenue: €504 million  
Other revenue: €126 million } Total €630m



# A win-win solution for all players



- **The national government, in agreement with labor representatives, establishes the framework**

- ▶ Support for the local economy
- ▶ Reduction in unreported employment

- **The three key players**

- **Corporate clients: enhancing performance**

- ▶ Productivity gains
- ▶ Improved employee retention

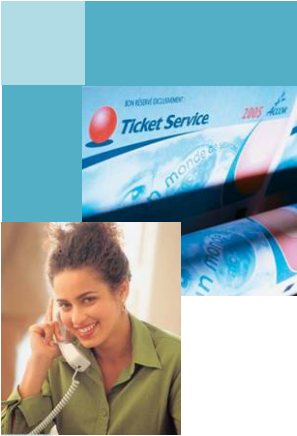
- **Employees: improving the quality of life**

- ▶ Greater purchasing power (fringe benefit)
- ▶ Freedom of choice

- **Affiliated service providers: optimizing results**

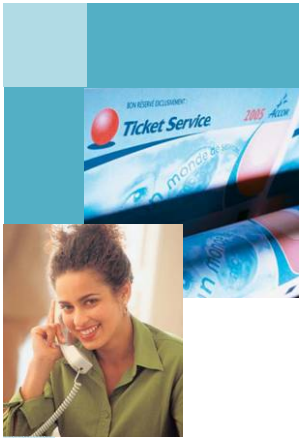
- ▶ Increased revenue
- ▶ Enhanced customer loyalty

# A model of sustainable, profitable growth

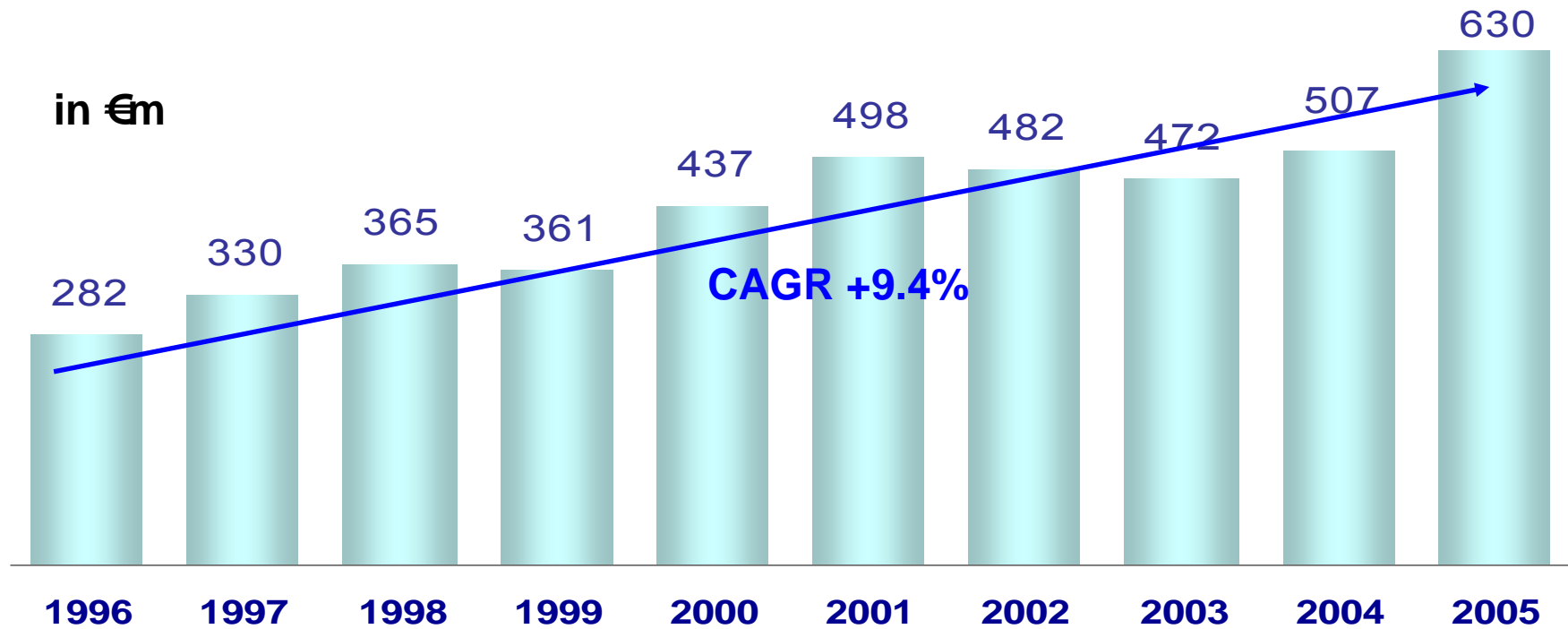


- Sustained growth
- Non-cyclical business
- High operating margin
- Low capital intensity

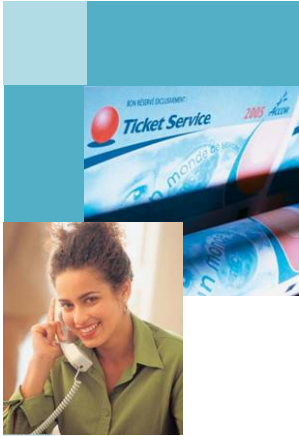
# Sustained growth



## Revenue

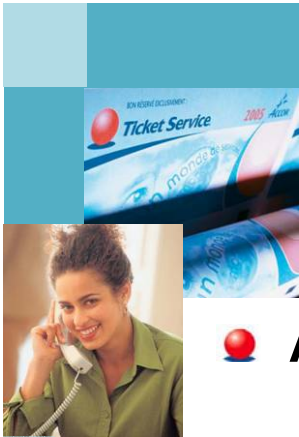


# Virtuous growth



|                   | 1996  | 2005  | CAGR   |      |
|-------------------|-------|-------|--------|------|
| Issue volume      | 4,580 | 8,414 | +7.0%  | x1.5 |
| Revenue           | 282   | 630   | +9.4%  | x2   |
| Profit before tax | 81    | 226   | +12.1% | x3   |

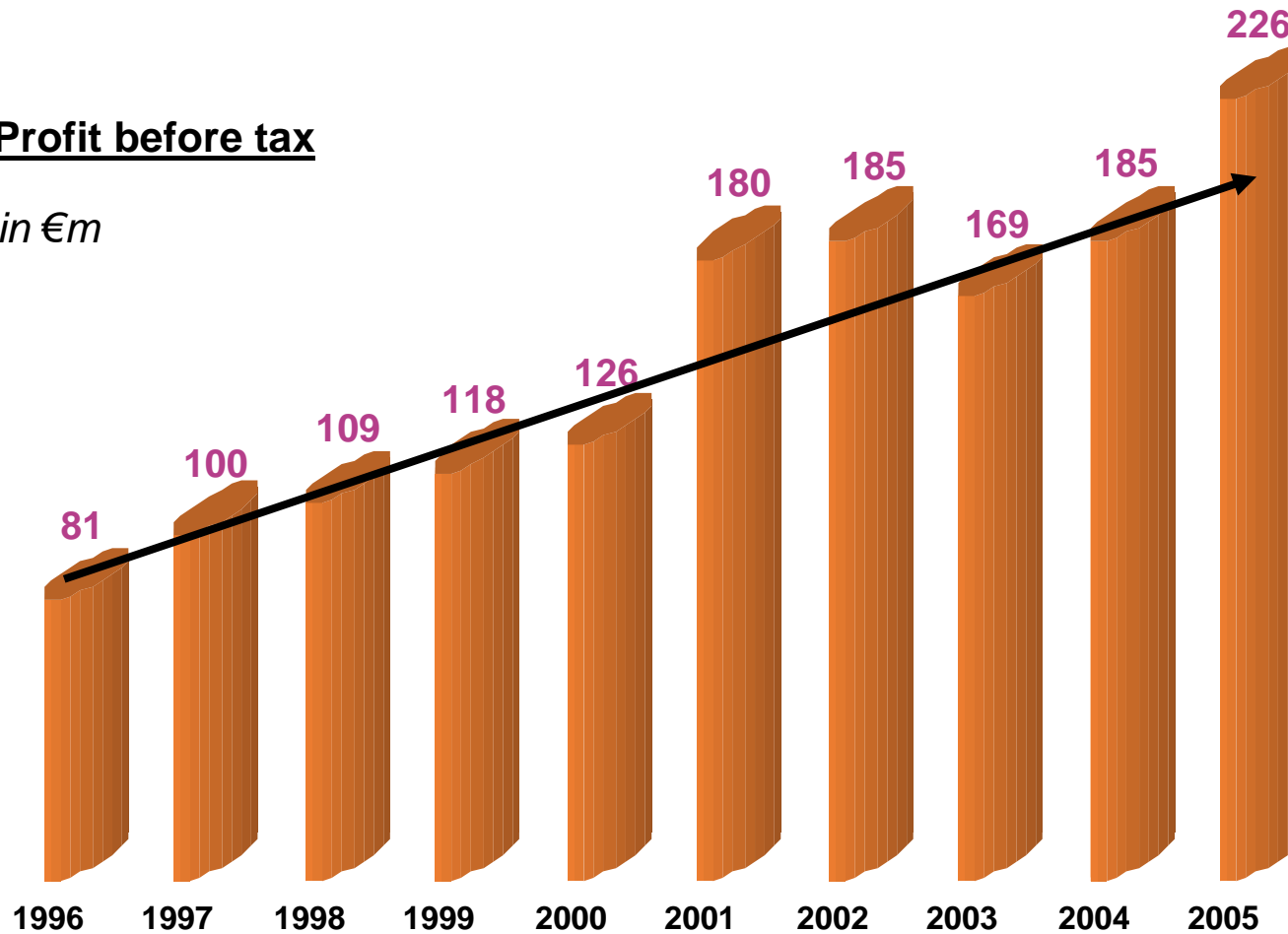
# A non-cyclical business



● Average annual increase of 12.1%, 1996-2005

Profit before tax

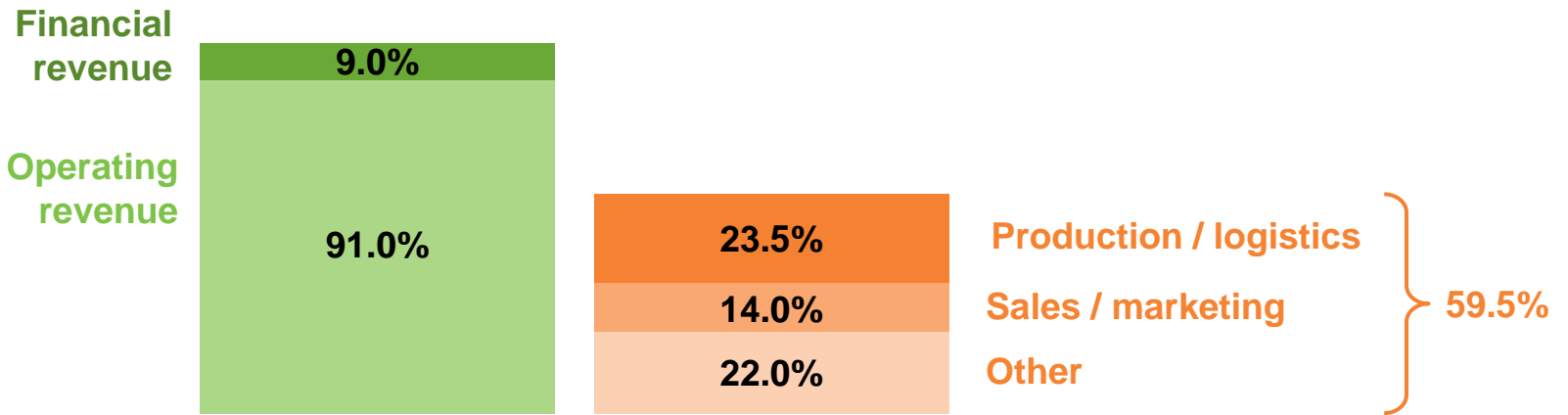
in €m



# High operating margin



100%



**EBITDAR 40.5%**

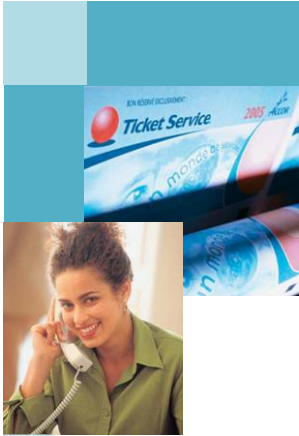
**Depreciation and amortization (4.6%)  
+ rental expense**

**Profit before tax 35.9%**

**2.7% of issue volume**

*Data expressed as % of revenue*

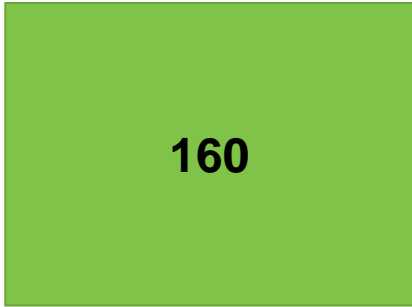
# A business that generates significant free cash flow...



**Return on Capital Employed 26%**

(€ millions)

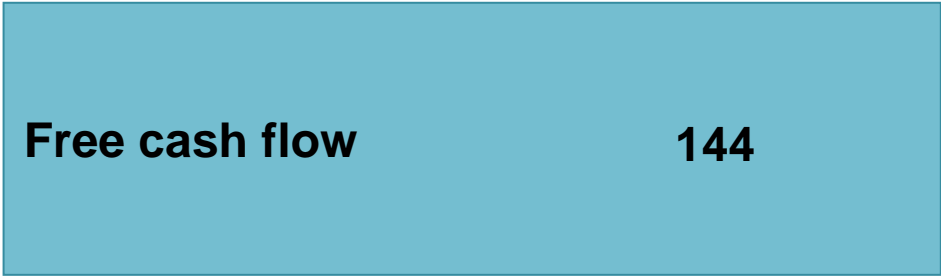
**Funds from operations**



**Renovation and maintenance capex**

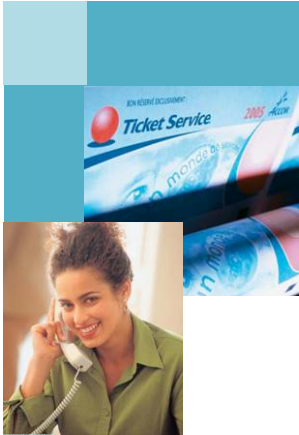


**Free cash flow**



(2005 data)

# ... and negative working capital requirement



**Customer receivables (3.9 weeks) €698 million**

**Voucher refunds (12 weeks) €1,940 million**

**Negative working capital requirement (8 weeks) €1,242 million**

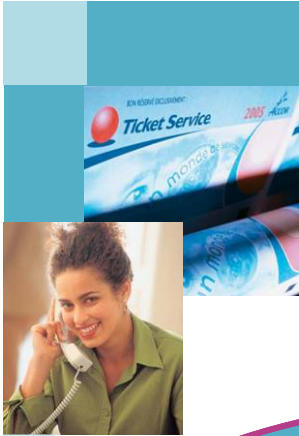
**€327 million  
Funds placed in  
escrow (France)**

**€474 million  
Funds lent to the  
Hotels business**

**€441 million  
Funds invested (\*)**

*(2005 data)*

# Keys to success



- ✓ B2B expertise
- ✓ Innovative products
- ✓ Technology

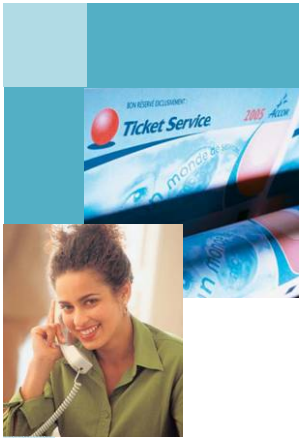
- ✓ Dialogue with employee representatives and government authorities
- ✓ Sales to a large number of customers: very big to very small

Accor network

A powerful brand

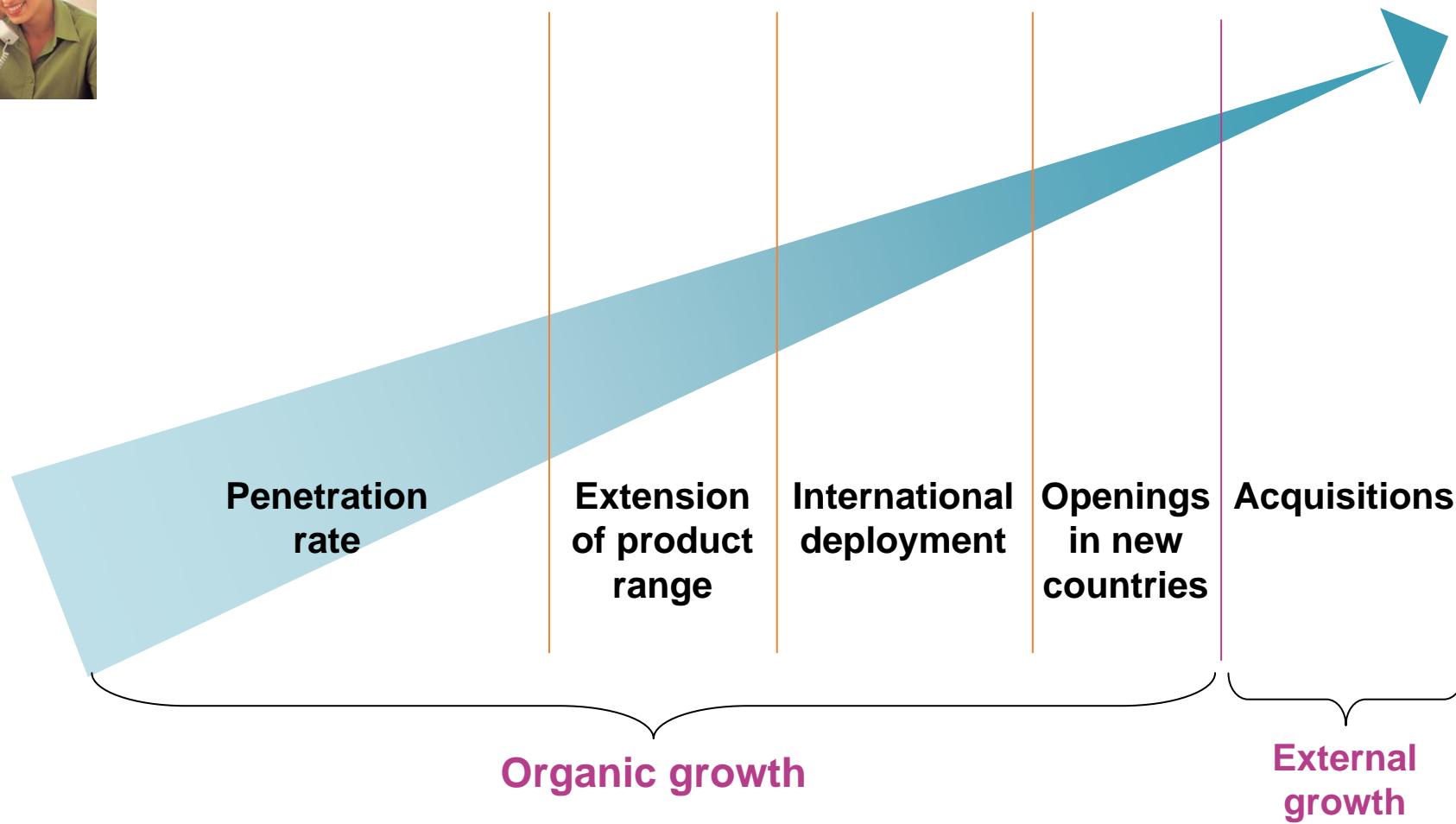
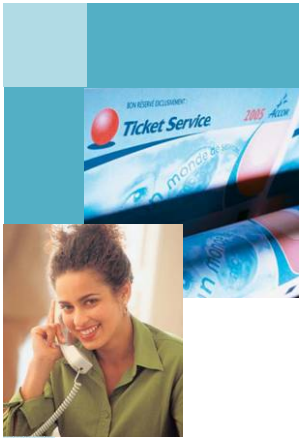
Increasingly global presence

A wealth of expertise that creates barriers to entry



# Tomorrow: growth drivers

# The 5 growth drivers



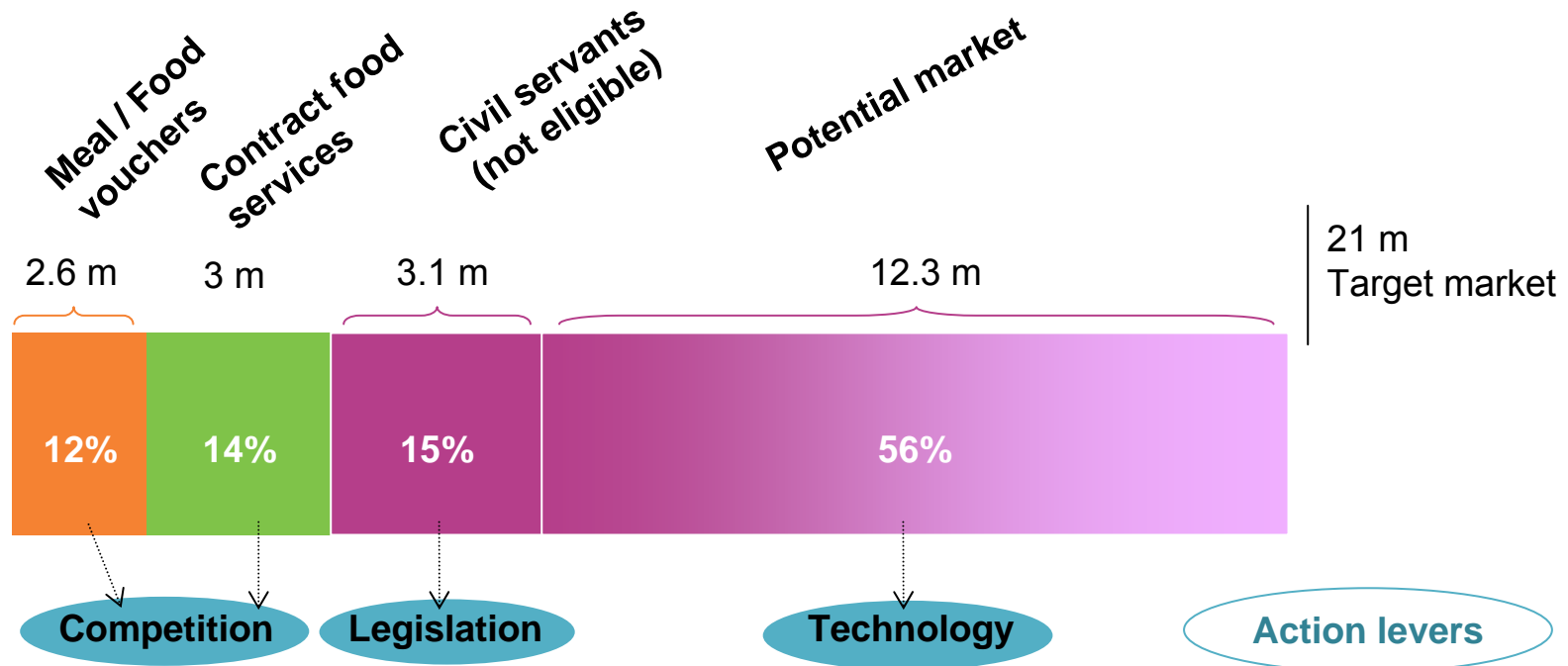
# 1st driver: increase penetration rates, which are still low

Example: France

● Potential meal voucher market €31bn

● “Penetrated” market

€3.7bn



# 2nd driver : extend the product range using the same business model



1990

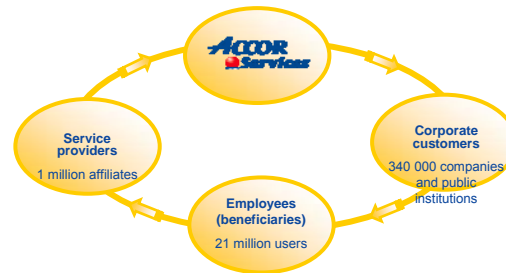


**Ticket Restaurant**

**Ticket Alimentação**

1 family  
2 products

2000



**Ticket Car**

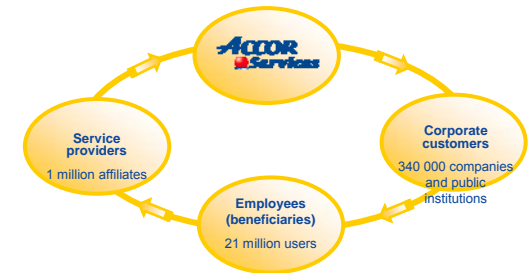
**Ticket Childcare Vouchers**

**Ticket Compliments**

**Ticket Clean Way**

3 families  
35 products

2010



**Ticket CESU**

**Ticket transport**

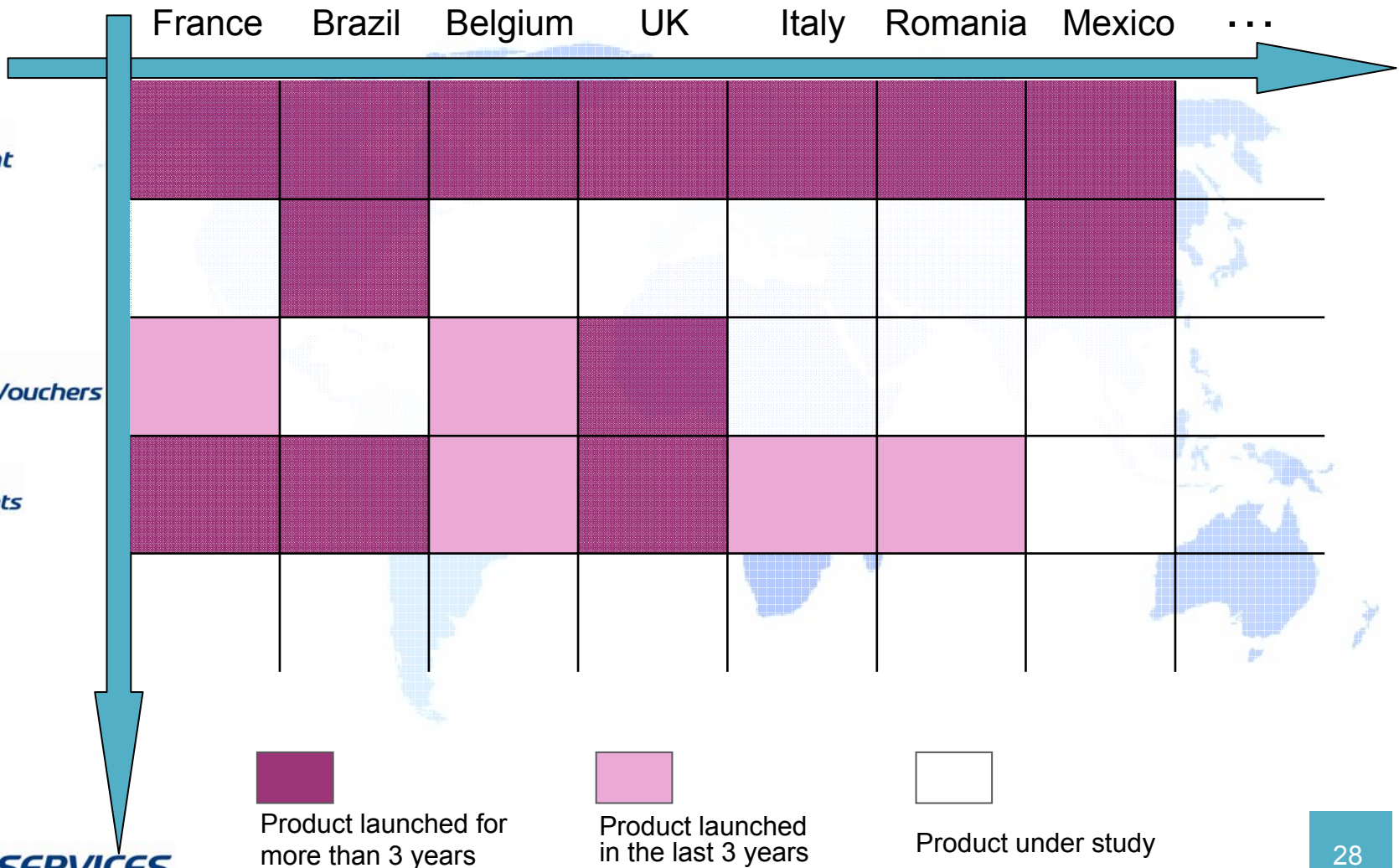
**Ticket vacances**

**Ticket santé**

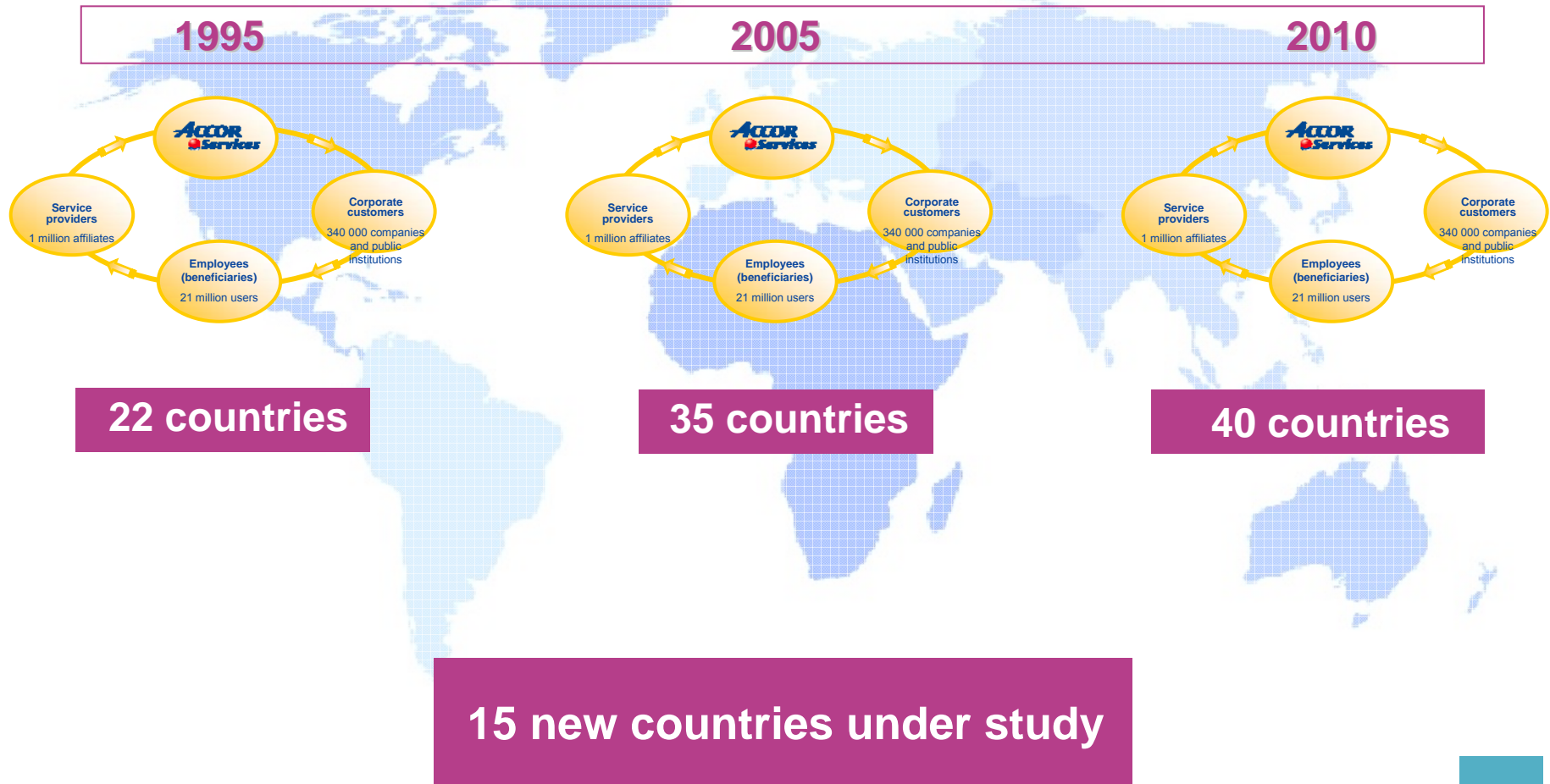
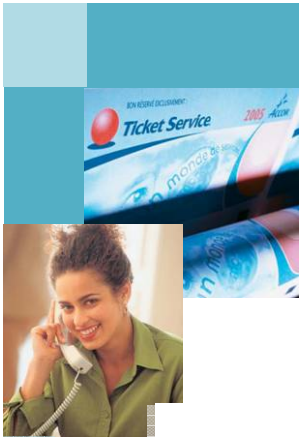
**Ticket culture...**

3 families  
50 products

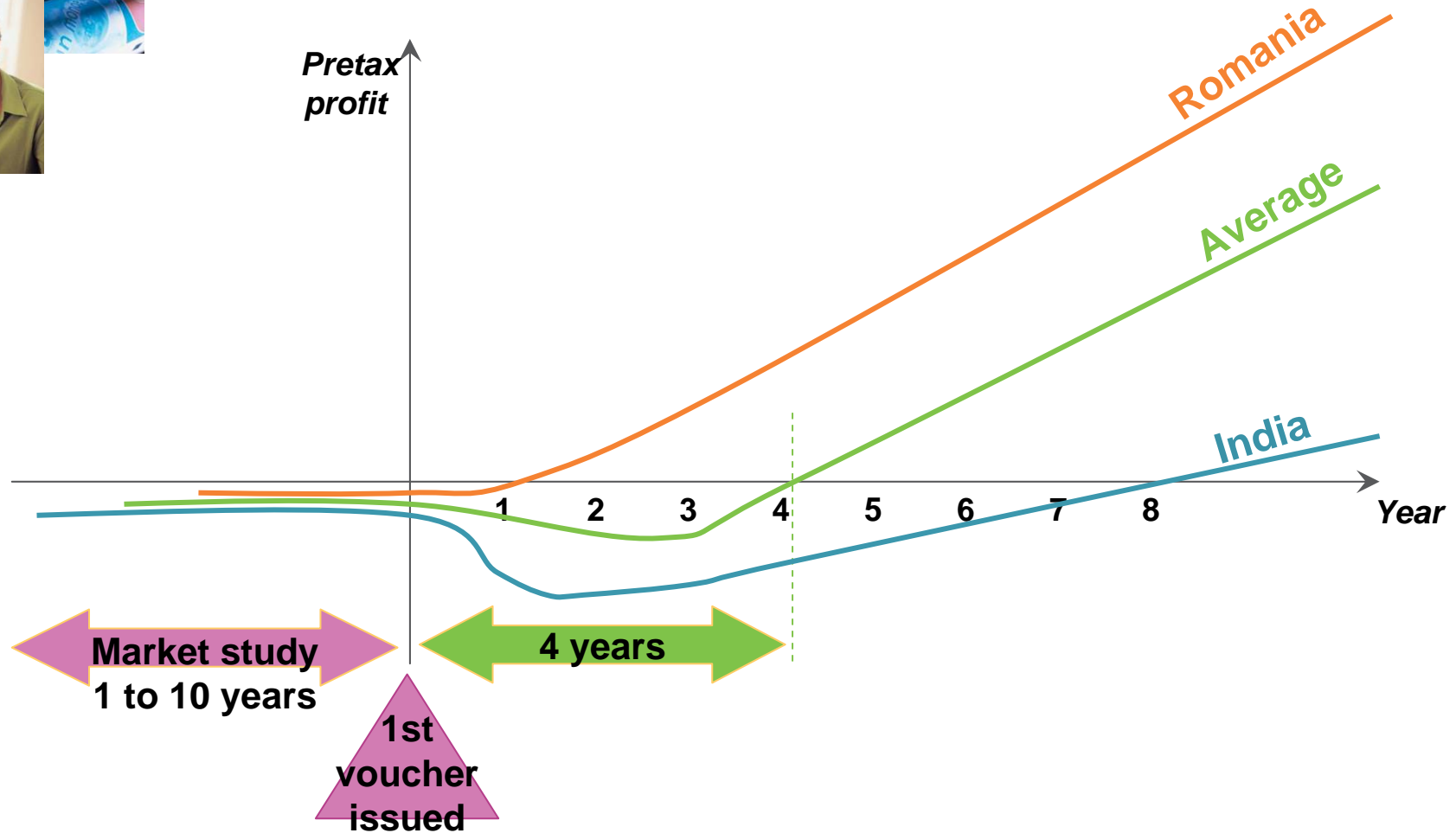
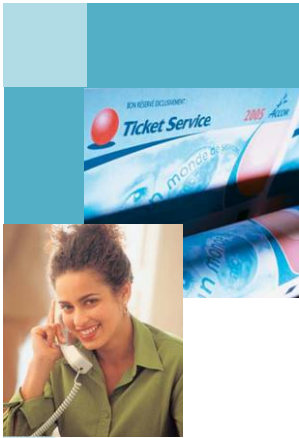
# 3rd driver: international deployment



# 4th driver: openings in new countries

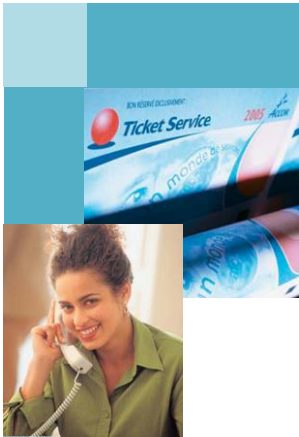


# 4th driver: openings in new countries



Ramp-up varies from market to market

# The 4 organic growth drivers



## Organic growth

- Penetration rate
- Extension of product range
- International deployment
- Openings in new countries

|                            | <u>2003</u>     | <u>2005</u>      | <u>Potential growth</u><br><u>2006-2010</u> |
|----------------------------|-----------------|------------------|---|
| Penetration rate           | ●               | ●                | 5 - 7 %                                     |
| Extension of product range | ●               | ●                | 1 - 4 %                                     |
| International deployment   | ●               | ●                | 1 - 3 %                                     |
| Openings in new countries  | ●               | ●                | 1 - 2 %                                     |
|                            | <b>7.9% (*)</b> | <b>14.1% (*)</b> | <b>8 - 16% (*)</b>                          |

(\*) Like-for-like

# 5th driver: external growth



## ● Acquiring market share

- Hungastro **Romania** - 2003 (meal vouchers)
- Dicasa **Mexico** - 2003 (food vouchers)
- Capital Incentive **UK** - 2004 (gift vouchers)
- Commuter Check **US** - 2006 (transport vouchers)
- Stimula **France** – 2006 (gift vouchers)



## ● Acquiring expertise

- Wired Commute **US** - 2005 (transport vouchers)
- Delicard **Finland** (gift vouchers)

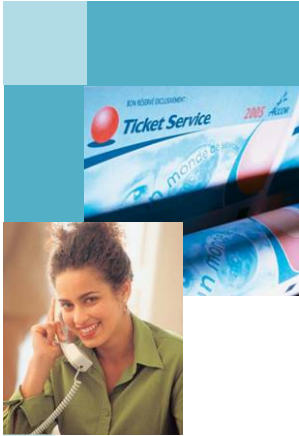


## ● Partnerships

- Caisse d'Épargne
- Europ Assistance

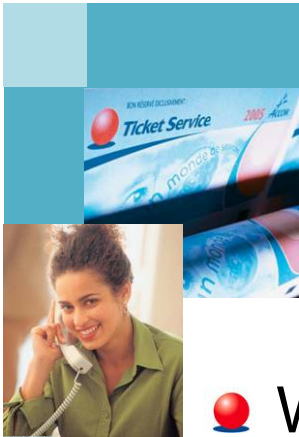


18.3% average ROCE



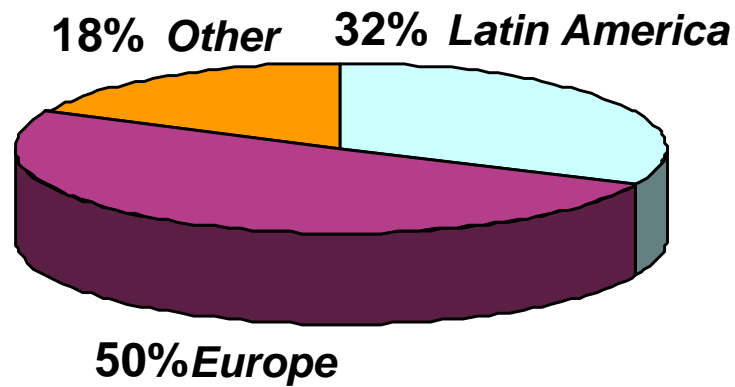
## 5th driver: external growth, a systematic process that is already underway...

- A dedicated corporate team for acquisitions
- Priority given to transaction-based products
- Objective: 20% ROCE
- €80 million already committed as of May 31, 2006

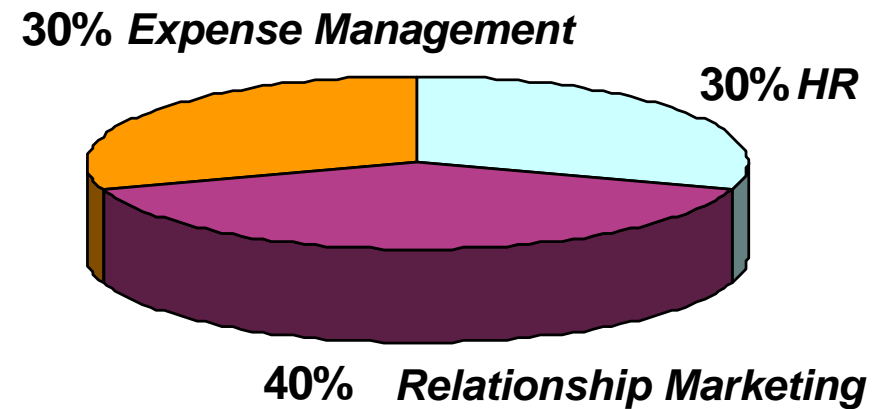


... that enables us to achieve our objectives

📍 Where will we invest?



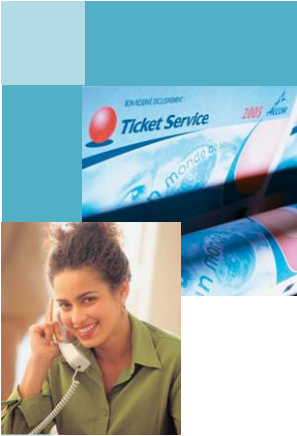
Region



Product family

€500m in acquisitions between 2006 and 2010

# Conclusion



- No. 1 worldwide in market share and profitability
- Pioneering spirit: innovative products, openings in new markets and technology
- Unique skills
- International coverage through local operations
- High growth potential

A strategic business for Accor

