CREDIT OPINION
21 March 2025

Update

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RATINGS

Avolta AG

Domicile	Basel, Switzerland
Long Term Rating	Ba2
Type	LT Corporate Family Ratings - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Avolta AG

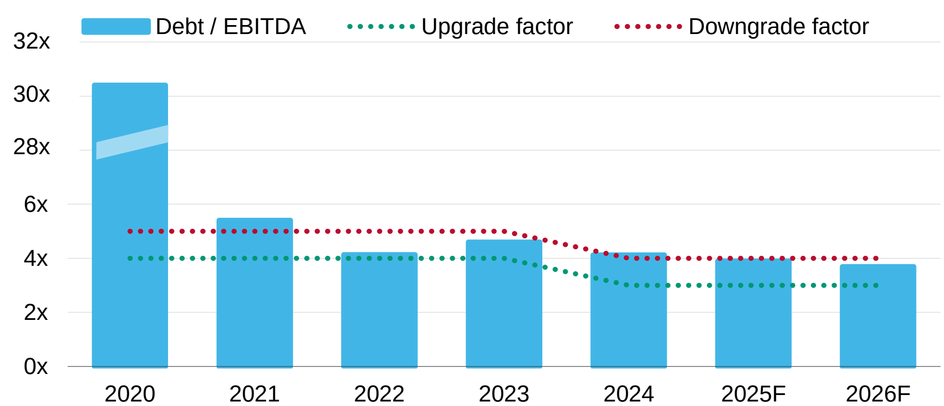
Update following 2024 results — credit profile continues to strengthen

Summary

Avolta AG's Ba2 corporate family rating (CFR) reflects its global leadership in travel retail and food and beverage, with broad geographic and product diversification. Large exposure to less discretionary travel food and beverage offers a degree of revenue stability while long-term growth in air passenger traffic supports demand. Avolta has a track record of organic growth and stable profitability and we expect continued growth up to around a mid-single digit percentage annually, contributing to strengthening its credit profile.

However, macroeconomic downturns, geopolitical events and health concerns can lead to a drop in sales. Avolta also has exposure to the risk of nonrenewal on its concession contracts and to emerging market currency volatility. Through continued EBITDA expansion, we expect the company will continue to reduce Moody's-adjusted gross debt/EBITDA from a relatively high level of around 4x in 2024. It corresponds to a management-defined net leverage of 2.1x, broadly in line with the company's target of 1.5x-2.0x. We expect that Avolta will continue to generate solidly positive Moody's-adjusted free cash flow (after dividend payments) of at least CHF300 million per annum.

Exhibit 1
Avolta's leverage will decline below 4x in the next 12-18 months
Moody's-adjusted gross Debt/EBITDA — historical and projected



All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Credit Strengths

- Leading position in travel retail and food and beverage, with broad geographic and product diversification
- Long-term growth in air passenger traffic supports demand
- Historically stable profitability and positive free cash flow generation, which we expect to continue
- Balanced financial policy, including a management-defined net leverage target of 1.5x-2.0x (2.1x at the end of 2024)

Credit Challenges

- Dependence on air passenger traffic and exposure to macroeconomic downturns, geopolitical events and health concerns
- Risk of non renewal of concession contracts
- Large labour expenses, whose increases the company may not be able to pass on to consumers at all times
- Exposure to volatility of currencies from emerging markets

Rating Outlook

The stable outlook reflects our expectation of ongoing organic revenue and EBITDA growth, underpinned by steadily increasing air passenger traffic globally. Further, the stable outlook assumes deleveraging to below 4.0x Moody's-adjusted debt/EBITDA in the short-term and materially positive FCF generation (after lease repayments and all dividend distributions).

Factors that Could Lead to an Upgrade

- Successful renewal of concession contracts on an ongoing basis, organic revenue growth and at least stable Moody's-EBITDA margin, and
- Moody's-adjusted gross debt/EBITDA sustainably declines toward 3.0x, and
- Positive free cash flow (FCF, after interest and dividends) and retained cash flow/net debt sustainably above 20%, and
- Good liquidity and debt maturities addressed in a timely manner.

Factors that Could Lead to a Downgrade

- Revenue and EBITDA reduce on an organic basis, or
- Moody's-adjusted leverage remains above 4x on a sustainable basis, or
- FCF becomes negative and retained cash flow/net debt reduces sustainably below 15%, liquidity weakens or refinancing risk increases, or
- More aggressive financial policy, including debt-funded acquisitions or higher shareholder distributions jeopardising positive cash generation.

Key indicators

Exhibit 2
Avolta AG

(in CHF billions)	2020	2021	2022	2023	2024	2025F	2026F
Revenue	2.6	3.9	6.9	12.8	13.7	14.7	15.2
Debt / EBITDA	30.4x	5.4x	4.1x	4.6x	4.1x	3.9x	3.7x
RCF / Net Debt	-3.6%	4.0%	20.1%	16.8%	16.0%	17.5%	18.2%
(EBITDA - CAPEX) / Interest Expense	-0.1x	3.0x	2.2x	1.8x	2.0x	2.1x	2.2x
EBITDA Margin	11.8%	35.3%	23.2%	19.3%	21.1%	21.1%	21.4%
FCF / Debt	-11.3%	-0.5%	4.2%	2.4%	2.2%	3.1%	3.1%
EBITA / Interest Expense	-3.1x	1.3x	2.2x	2.0x	2.0x	2.1x	2.2x

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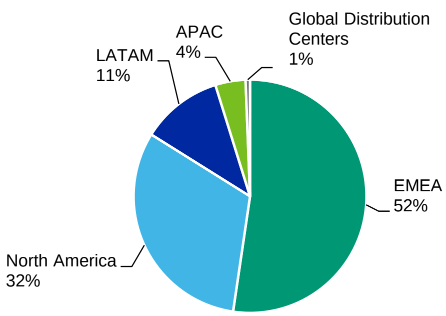
Profile

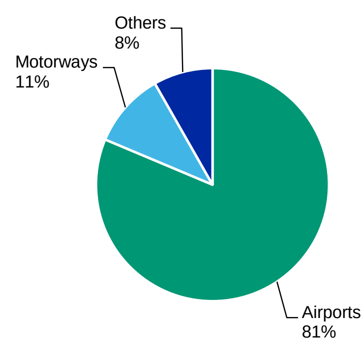
Headquartered in Basel, Switzerland, Avolta is the leading global travel retailer. The company is present in 70 countries and operates over 5,100 outlets, mostly in airports (350 locations, around 80% of sales). Avolta had revenue of CHF13.7 billion in 2024 and is listed on the Swiss Stock Exchange with a market capitalisation of CHF5.4 billion as of 18 March 2024.

Exhibit 3
Avolta is well-diversified geographically
Avolta turnover split by geography (2024)



Source: Company Information

Exhibit 4
Airports remain the main sales channel
Avolta turnover split by channel (2024)



'Others' mainly include railway stations, border, downtown and hotel shops, cruise liners and seaports.
Source: Company Information

Detailed Credit Considerations

Large scale and diversified product offering across travel retail and food and beverage

Avolta benefits from its large scale and status as the global leader in travel retail and food and beverage. The company's footprint spans all continents, across over 5,100 outlets in more than 1,000 locations and 70 countries.

The travel retail and food and beverage market is still quite fragmented. Only a few travel retail companies also have a food service offering. These include Lagardere Travel Retail, which is one of Avolta's largest competitors. While it has a similar number of outlets, its turnover is around half of Avolta's, because of a lower basket value in our opinion. Avolta's other main competitors are pure travel retailers based in Asia, including Lotte Duty Free, The Shilla Duty Free and luxury travel retail specialist DFS Group (part of LVMH Moet Hennessy Louis Vuitton SE, Aa3 stable). There are also strong domestic competitors in the large and attractive Chinese market including China Tourism Group Corporation Limited (A3 negative). As a result, Avolta has limited presence in the APAC region but it will improve thanks to its recent acquisition of Free Duty contributing around CHF250 million annual revenue.

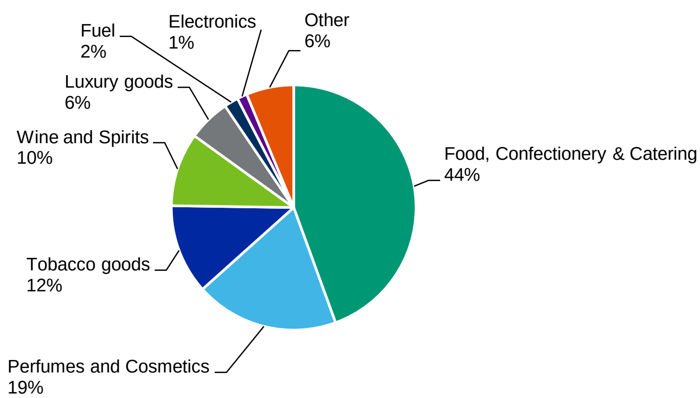
Avolta's scale as well as product and service diversification provides it with clout vis-a-vis concession partners, suppliers and brands. It is also a key competitive advantage in tender processes. For example, the company has the ability to fulfill on its own and in their entirety master concession agreements in US airports.

Diversification into food & beverage is positive from a demand perspective because the category has greater penetration with passengers than travel retail and increases revenue stability because it is less discretionary. We estimate that more discretionary categories, including confectionery, still represent over 60% of Avolta's revenue (exhibit 5). We also think product categories like tobacco, wines and spirits are less appealing to millennials in Europe and North America, who constitute a growing share of passengers. This requires the company to constantly focus on customer needs and actively manage its portfolio of outlet formats to cater for all customers, regional and generational aspirations, ranging from convenience to specialised stores and luxury.

Exhibit 5

Avolta is well-diversified by product offering

Avolta turnover split by product category (2024)

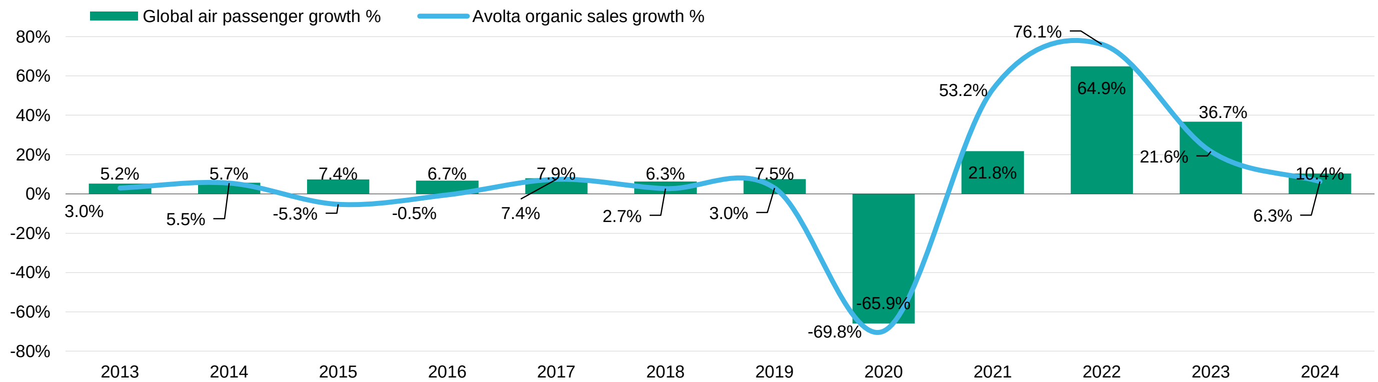


Source: Company Information

Performance tied to air passenger traffic, with exposure to event risks and concession contract renewal risk

While Avolta's global footprint (exhibit 3) limits its exposure to regional disruptions, the company's organic growth is closely correlated to air passenger traffic globally. Despite some diversification into other channels afforded by the acquisition of Autogrill, Avolta still derives over 80% of its revenue from airports. Avolta therefore runs the risk that an economic downturn, geopolitical events or health concerns reduce air travel. There have been such instances in the past in addition to the coronavirus pandemic but long-term historical air passenger growth has been around 4% annually.

Exhibit 6
Global passenger growth versus Avolta's organic sales growth



2023 Organic growth is based on Autogrill and Dufry AG combined revenue.
Sources: International Air Travel Association and Company Information

Avolta's vast footprint has a greater degree of profit concentration than the business split by location suggests but we estimate that no single location generates more than 5% of group profit.

The company depends on concession contracts to run its business. They typically have a long tenor and their remaining average life is over seven years. Renewals are generally well spread as a result but the risk of nonrenewal does exist. Avolta's largest concession contract represents less than 5% of sales and the top 10 less than 20%. Avolta's strong market position and track record translate into a high contract renewal rate.

Although Avolta has significantly reduced its share of profit from emerging markets over the years and ensuing exposure to currency depreciation or devaluation, foreign exchange fluctuations can still swing reported growth and cash flow. A good illustration is Argentina where currency depreciation in 2024 lowered organic growth by 140 basis points (bps). More generally, Avolta is exposed to weaker emerging market currencies and a weaker US dollar, which could impair its ability to service its Euro-denominated and Swiss Franc-denominated debt.

We forecast a gradually normalising growth pattern

As air passenger traffic growth abates and geopolitical risks loom, Avolta’s trading outlook remains supportive. We forecast that the company will reach the low end of its 5%-7% annual organic revenue growth range in the next 12-18 months. We expect revenue growth to come from passenger numbers increasing by 3% to 4% where Avolta is present, with footprint expansion, improved footfall-to-sales conversion and higher spending per customer offering opportunities for some incremental growth. Drivers include Avolta's efforts to attract customers toward more premium products and upside from any return to pre-pandemic spending patterns by affluent Asian customers in particular.

Avolta's well-diversified portfolio geographically affords some protection against temporary demand softness in a certain region. For example, management has guided that the weak first quarter of 2025 for US airlines will not adversely impact Avolta's results.

Avolta reached a Moody’s-adjusted EBITDA of CHF2.9 billion in 2024 from CHF2.4 billion a year earlier. Profit growth has been consistently ahead of our expectations since the end of the pandemic. The associated EBITDA margin was 200 bps up to 21%, reflecting a higher gross margin percentage, and lower lease and SG&A expenses as a percentage of revenue. Remaining synergies from the Autogrill integration of over CHF50 million boosted profit and margins. Additional cost efficiencies in the normal course of business including modest operating leverage on labour expenses (for example through self-checkout) will lead to some margin improvement.

At this juncture, we estimate that the potential impact of tariffs (actual and threatened) on Avolta is low based on our understanding that procurement volumes from actually or potentially affected countries is comfortably below 10% in aggregate. The company also benefits from a captive audience, with relatively low price elasticity. We believe the biggest tariff-related risk is lower passenger volumes if consumer confidence is hit through high inflation or other channels.

Ongoing deleveraging on an underlying basis despite temporary spike in leverage from new concessions

Moody's-adjusted gross debt/EBITDA for Avolta was 4.1x at the end of 2024. This compares with our 2024 forecast of 4x because the higher debt was not fully compensated by higher EBITDA. The higher debt was entirely driven by an increase in lease obligations, including a 0.1x leverage impact from the Free Duty acquisition in Asia which closed in December and did not have any offsetting effect on the EBITDA side.

Exhibit 7

Moody's–adjusted leverage reconciliation (2024)

(in CHF millions)

EBITDA reconciliation	2024	Debt reconciliation	2024
CORE EBITDA	1,267	**Total Funded Debt**	**2,630**
Other Income (CORE)	-	RCF drawn	619
Other Expenses (CORE)	58	Lease Liabilities	8,520
Avolta Fixed Concession Expense	1,458	Others	140
IFRS 16 EBITDA	**2,783**	Pension	43
Pension expense	0	**Moody's-adjusted debt**	**11,952**
Interest income	84		
FX	18		
Other Non Operating Items	12		
Moody's-adjusted EBITDA	**2,897**	**Moody's-adjusted leverage**	**4.1x**

Sources: Company Information and Moody's Ratings

Avolta's leverage declined from 4.6x in 2023. At the time, the company's renewed Spanish concessions, because of their long duration and minimum annual guarantees, contributed to pushing Avolta's lease liabilities up by more than CHF3 billion. The scope and size of new or renewed concession contracts, as well as the mix of fixed versus variable commitments can result in material lease liability movements. We prudently forecast a broadly stable lease liability to reflect amortisation as well as lease additions and modifications which will continue to come through as they did in 2024.

We forecast that Moody's-adjusted leverage will reduce nevertheless, on the back of continued growth in EBITDA, toward 3.5x in 2025-2026. Avolta's financial policy includes a management-defined net leverage target of 1.5x-2.0x. While limited deleveraging is required from the current 2.1x to be in the targeted range, we expect this ratio to also fall in the next 12 to 18 months as EBITDA grows.

Avolta's leverage policy includes the flexibility to increase the ratio to 2.5x in the case of M&A. The most recent example of large M&A is the Autogrill acquisition which Avolta essentially funded with shares while adding Moody's-adjusted EBITDA of over CHF600 million, thereby making this transaction a deleveraging event.

Consistent free cash flow generation to continue following resumption of dividends

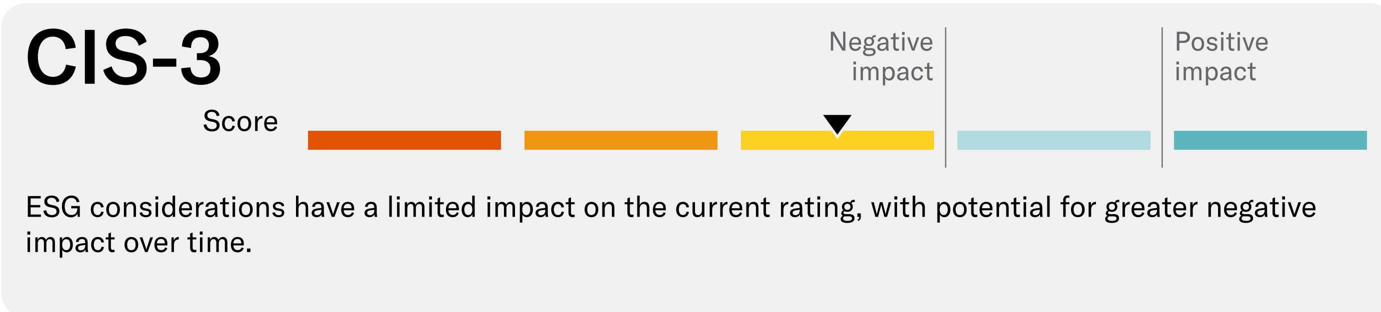
Following outflows during the pandemic, Avolta has generated solid and very consistent Moody's-adjusted FCF since 2022, in the range of CHF260 million — CHF 280 million per annum.

Moody's-adjusted FCF was broadly flat between 2022 and 2024 while Moody's-adjusted EBITDA increased by nearly CHF1.3 billion because Moody's-adjusted capex (including lease principal repayments) and interest payments (including leases) consumed most of the additional profit. Although Avolta is lowering them, fit-out costs for food and beverage outlets (legacy Autogrill business) are higher. Capex in 2022 reflected cash preservation and investment caution in an uncertain trading environment. In 2024, Avolta has also resumed dividend payments on common shares, slightly above CHF100 million.

We forecast growing FCF in the range of CHF300 million – CHF400 million in 2025-2026. Avolta's financial policy stipulates that the company aims to distribute around a third of its FCF pre-dividends to shareholders. We expect that further increases in Moody's-adjusted capex, will offset some of the higher EBITDA, with capex before and after lease repayments broadly stable as a proportion of revenue. We forecast FCF to be equivalent to around 3% of Moody's-adjusted gross debt, a relatively weak level for the rating category.

Environmental, Social and Governance considerations

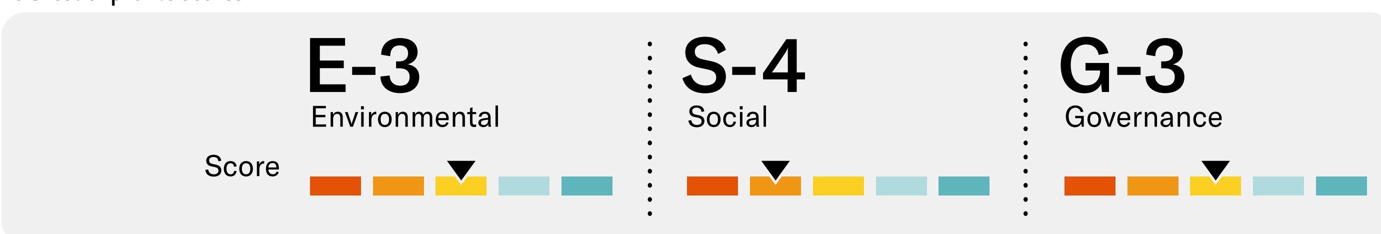
Exhibit 8
ESG credit impact score



Source: Moody's Ratings

Avolta's **CIS-3** indicates that ESG considerations have a limited impact on the company's current credit rating, with potential for greater negative impact over time. This primarily reflects the company's exposure to social risks, in particular demographics and societal trends which could reduce air travel. Avolta also has moderate exposure to environmental risks in respect of carbon transition risks and moderate exposure to governance risks because of its reliance on access to capital markets.

Exhibit 9
ESG issuer profile scores



Source: Moody's Ratings

Avolta's exposure to environmental risks **(E-3)** comes from its wide and varied assortment of products, which presents carbon transition risks in respect of transportation costs to its vast network.

Avolta's exposure to social risks **(S-4)** comes from demographics and societal trends. They could reduce air travel and decrease consumer spending in airports which the company largely depends on. Global air travel has benefited from long-term growth historically. However it is possible that demand gradually reduces as travelers consider the environmental impact of air travel and look more at cost/benefit on a trip-by-trip basis given technological alternatives.

Avolta's exposure to governance risks **(G-3)** reflects financial policies that take account of both credit and equity investors interests. The company executed credit positive equity raises during the pandemic but it is also acquisitive and has some tolerance for leverage. We believe the company has in place appropriate checks and balances that we would expect for a public company.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity Analysis

Avolta's liquidity is good. It reflects the company's unrestricted cash balance of CHF625 million at the end of 2024 and its large EUR2.4 billion senior unsecured revolving credit facility (RCF), of which nearly CHF1.5 billion was available at December 2024. The RCF matures in December 2029 and we expect Avolta to maintain ample headroom under its net leverage, interest cover and minimum liquidity covenants. Although it has sufficient liquidity to do so, Avolta will need to address the maturity of CHF800 million of debt due in March and April 2026.

Structural Considerations

Avolta's capital structure consists of a mix of bonds and bank debt. All the facilities are unsecured, rank pari passu and benefit from guarantees from the material holding companies within the group. As a result, all Ba2 instrument ratings are in line with the Ba2 CFR.

Rating methodology and scorecard factors

The principal methodology used in these ratings was Retail and Apparel. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Exhibit 10

Rating factors

Avolta AG

Retail and Apparel Industry Scorecard	Current FY Dec-24		Moody's 12-18 month forward view	
Factor 1 : Scale (15%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenue ($ billions)	15.6	Baa	16.3 - 16.9	Baa
Factor 2 : Business Profile (20%)				
a) Market Characteristics	Ba	Ba	Ba	Ba
b) Market Position	Baa	Baa	Baa	Baa
Factor 3 : Profitability and Efficiency (10%)				
a) Revenue & Earnings Stability	Ba	Ba	Ba	Ba
Factor 4 : Leverage and Coverage (40%)				
a) Debt / EBITDA	4.1x	B	3.7x - 3.9x	Ba
b) RCF / Net Debt	16.0%	Ba	17.5% - 18.2%	Ba
c) (EBITDA - CAPEX) / Interest Expense	2.0x	B	2.1x - 2.2x	B
Factor 5 : Financial Policy (15%)				
a) Financial Policy	Ba	Ba	Ba	Ba
Rating:				
a) Scorecard-Indicated Outcome		Ba2		Ba2
b) Actual Rating Assigned				Ba2

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Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Appendix

Exhibit 11

Peer comparison

Avolta AG

	Avolta AG Ba2 Stable			B&M European Value Retail S.A. Ba1 Stable			Peer Holding III B.V. Ba2 Positive		
(in $ millions)	FY Dec-22	FY Dec-23	FY Dec-24	FY Mar-23	FY Mar-24	LTM Sep-24	FY Dec-21	FY Dec-22	FY Dec-23
Revenue	7,291	14,241	15,596	6,015	6,892	7,070	8,082	9,335	12,246
EBITDA	1,692	2,742	3,292	943	1,105	1,077	1,244	1,527	2,124
Total Debt	6,985	13,352	13,188	2,757	2,864	3,141	4,317	4,135	6,047
Cash & Cash Equivalents	789	702	690	290	230	248	863	744	1,201
EBITDA Margin	23.2%	19.3%	21.1%	15.7%	16.0%	15.2%	15.4%	16.4%	17.3%
(EBITDA - CAPEX) / Interest Expense	2.2x	1.5x	2.0x	5.1x	4.9x	4.0x	4.7x	7.6x	6.0x
Debt / EBITDA	4.1x	4.6x	4.1x	2.9x	2.6x	2.8x	3.6x	2.7x	2.8x
RCF / Net Debt	20.1%	16.8%	16.0%	11.2%	13.8%	12.5%	14.2%	10.4%	-24.5%
FCF / Debt	4.2%	2.4%	2.2%	1.7%	-0.1%	-4.0%	3.8%	-1.6%	-22.2%

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 12

Overview on selected historical and forecasted Moody's-adjusted financial data

Avolta AG

(in CHF millions)	2020	2021	2022	2023	2024	2025F	2026F
INCOME STATEMENT							
Revenue	2,561	3,915	6,878	12,790	13,725	14,661	15,248
EBITDA	301	1,380	1,596	2,463	2,897	3,087	3,258
EBIT	(1,347)	170	501	824	1,109	1,178	1,273
Interest Expense	341	303	310	550	703	728	731
BALANCE SHEET							
Cash & Cash Equivalents	324	736	745	591	625	746	859
Total Debt	9,158	7,465	6,590	11,238	11,952	12,037	12,037
Net Debt	8,834	6,729	5,845	10,647	11,327	11,292	11,178
CASH FLOW							
Funds from Operations (FFO)	(285)	288	1,241	1,922	2,058	2,248	2,393
Cash Flow From Operations (CFO)	(670)	444	1,250	1,878	1,984	2,208	2,352
Capital Expenditures	(330)	(464)	(904)	(1,478)	(1,477)	(1,559)	(1,629)
Dividends	(33)	(21)	(68)	(134)	(247)	(276)	(353)
Retained Cash Flow (RCF)	(318)	266	1,173	1,788	1,811	1,972	2,040
Free Cash Flow (FCF)	(1,032)	(41)	278	269	260	374	370
Business Acquisition	(0.4)	(5)	-	(1)	(26)	(50)	(50)
Common Stock Issued/Repurchased	957	2	3	33	202	200	200
KEY RATIOS							
EBITDA margin %	11.8%	35.3%	23.2%	19.3%	21.1%	21.1%	21.4%
EBIT margin %	-52.6%	4.4%	7.3%	6.4%	8.1%	8.0%	8.3%
EBITDA / Interest Expense	0.9x	4.5x	5.2x	4.5x	4.1x	4.2x	4.5x
EBIT / Interest Expense	-4.0x	0.6x	1.6x	1.5x	1.6x	1.6x	1.7x
(FFO + Interest Expense) / Interest Expense	0.2x	1.9x	5.0x	4.5x	3.9x	4.1x	4.3x
Debt / EBITDA	30.4x	5.4x	4.1x	4.6x	4.1x	3.9x	3.7x
Net Debt / EBITDA	29.3x	4.9x	3.7x	4.3x	3.9x	3.7x	3.4x
RCF / Net Debt	-3.6%	4.0%	20.1%	16.8%	16.0%	17.5%	18.2%
FCF / Debt	-11.3%	-0.5%	4.2%	2.4%	2.2%	3.1%	3.1%

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Ratings

Exhibit 13

Category	Moody's Rating
AVOLTA AG	
Outlook	Stable
Corporate Family Rating -Dom Curr	Ba2
DUFRY ONE B.V.	
Outlook	Stable
Bkd Senior Unsecured	Ba2/LGD4

Source: Moody's Ratings

REPORT NUMBER 1439962