



Commentary

The 2018 business year was characterised by the need for change and the willingness to engage in this change. It was a year that saw a substantial financial loss and a number of personnel changes in the company's top-level operational management. At the same time, however, it heralded the launch of the necessary stabilisation and transformation process.

Ladies and Gentlemen,

When viewing the financial result for 2018, consideration must be given to a number of different factors: consolidation of the American MC² Group for a full year for the first time, the group's participation in the successful Masterpiece London, plus the strong Art Basel shows and the Swissbau trade fair, all made a key contribution to increasing operating income by just under 6% to CHF 522.8 million. These and other positive factors have not, however, been able to offset the financial burden imposed by the downscaling of Baselworld 2018, the high costs for the development and launch of Grand Basel and the declining trends for various products and services on the national exhibition and event market.

A loss of CHF -17.6 million has thus resulted from operating activities. Added to this come the extraordinary depreciations of CHF -132.3 million required for a further value adjustment of the exhibition buildings and special charges for restructuring measures totalling CHF -40.5 million, all of which lead to a group loss of CHF -190.4 million. The extraordinary expenditure for restructuring measures essentially covers the loss from the sale of Winkler Livecom on 31 December 2018, depreciation on tangible fixed assets for Baselworld and Grand Basel and provisions for structural and organisational measures that have already been initiated.

As a result of these special measures, the equity has fallen from CHF 233.7 million to CHF 56.9 million, and the equity ratio from 34.0% to 11.4%. These measures do not, however, have any impact on the cash and cash equivalents. Through the CHF 100-million bond issue, it proved possible to pay back state loans totalling CHF 65 million and cash and cash equivalents have increased slightly through the net inflow from financing activities.

The changes in the trade fair and event industry have proved to be even more radical than was foreseeable over the past few years and necessitate a far-reaching restructuring of the MCH Group. This will take a certain amount of time and will also negatively impact the result for the current 2019 financial year. This made it all the more important to define the roadmap for the necessary stabilisation and transformation process and to implement an initial package of measures in the second half of 2018 already.

The first step involved putting in place cost-saving measures, prioritising the strategic initiatives and initiating the first restructuring steps. The most important results of this first strategy realignment: the prime focus will be on further strengthening the globally leading position of Art Basel, expanding Masterpiece London, realigning Baselworld, further developing the successful national fairs, extending one-stop-shop solutions in the field of live marketing solutions and progressing further with digitisation. The development of a portfolio of regional art fairs is not to be pursued any further and the corresponding investments will be sold. The concept for Grand Basel and its international expansion is being revised. The general consumer fairs of Muba, Züspa and Comptoir Suisse are to be discontinued. In the course of the restructuring and repositioning of Live Marketing Solutions in Switzerland, Winkler Livecom AG was sold at the end of 2018.

The corporate strategy is to be further verified in the course of the current business year and a start made on its implementation. At the same time, the question of the future use of the infrastructure in Basel is to be clarified. Once the strategy process has been completed, the corporate structure and organisation will be brought into line with the redefined corporate strategy. Particular weight will be attached to boosting the efficiency of the organisational structure. Specialist competence and support functions are to be increasingly bundled and shared throughout the group so as to exploit the corresponding synergies.

The aim of the transformation process is to convert the group's classical live event competence into an integrated experience marketing competence in both the physical and digital fields. The biggest challenge lies in striking the right balance between the measures needed to stabilise the company and the investments required for the future – despite the limited resources available. It is thus important to merge the large number of extensively autonomous profit centres into an integrated company group, to define a joint strategy and then to jointly implement this in all the different fields and at all the different levels.

Thanks to the great expertise of our employees, the MCH Group stands out through its large number of high-quality products and services. This constitutes a robust basis for the necessary “reinvention” of our company. A large number of employees are supporting this radical change in a motivated and committed manner – especially those who are directly involved in the transformation process in one of the many working groups. This is not something that we can take for granted and we greatly appreciate it.

We are also delighted to have found competent succession arrangements for the departing members of the Executive Board – with the exception of one vacancy that still remains to be filled. We are looking forward, in particular, to the arrival of Bernd Stadlwieser, the new CEO, who will bring into the operational management of the MCH Group more than 20 years' professional experience in what are key branches of industry for us and also for the continuation of the transformation process that has been launched.

We would like to thank everyone who has contributed over the past year to enabling us to master the major challenges facing the MCH Group. Special thanks go to all the group's employees as well as to the management and the Board of Directors. We would also like to extend our wholehearted thanks to you, our shareholders, for your loyalty and support.

Dr. Ulrich Vischer
Chairman of the Board of Directors

Hans-Kristian Hoejsgaard
Group CEO a.i.