

Commentary

The past financial year was marked by key decisions in respect of the stabilisation and future strategic orientation of the company. A start has been made on implementing the strategy – the development of exhibitions into platforms and communities. Consistent implementation of the strategy is all the more urgent given the restrictions being imposed on business activity as a result of the spread of the coronavirus in the current financial year. The consequences of the corona epidemic will have a noticeable impact on the business result for 2020 but do not pose a threat to the company's stability.

Ladies and Gentlemen,

The 2019 business year was guided by the motto "Shape the Future". We have succeeded in significantly improving our operating business while, at the same time, aligning our company to the future needs of our customers. Even if these processes have not yet been completed and the transformation is still ongoing, we have already achieved a great deal.

Clear improvement in the EBITDA despite a structurally-conditioned decline in sales

The EBITDA is CHF 22.1 million and thus CHF 18.1 million above the previous year (CHF 4 million). The loss for the year prior to special measures amounts to CHF -3.2 million and is CHF 14.4 million (around 80%) above the comparable value for the 2018 financial year (CHF -17.6 million).

Due to the absence of any further special depreciation on the exhibition buildings and considerably lower restructuring costs, the key figures after special measures are still clearly above those for the 2018 financial year: the loss for the year totals CHF -9.9 million and is CHF 180.5 million above the 2018 financial year (CHF -190.4 million).

The consolidated operating income for 2019 is CHF 445.2 million and thus CHF 77.6 million (around 15%) below the previous year. The decline in sales is due first and foremost to the weaker exhibition cycle without Swissbau, the realignment of Baselworld and the sale of Winkler Livecom AG.



Dr. Ulrich Vischer



Bernd Stadlwieser

Organisational realignment

To ensure that the company is better aligned to market requirements, it has now been reorganised internally into four divisions:

Global Platforms & Ecosystems:

- Art & Art Related Industries (Art Basel, Masterpiece, Design Miami)
- Watch, Jewellery and Gems (Baselworld)

Swiss Events:

All trade fairs and consumer shows in Switzerland

Live Marketing Solutions:

MCH Global, Expomobilia and MC²

Venues:

Exhibition halls Basel, Congress Center Basel, exhibition halls Zurich

Strategic decisions to meet future market needs

As part of the strategy process, we have taken strategic decisions for the future and are working intensively to implement these.

Development of traditional exhibition formats into platforms and communities:

During the first half of 2020 already, we will be setting up virtual showrooms for our community in addition to the Art Basel shows, for example, and connecting the Art Basel community of three million members with each other throughout the year.

Efficiency-boosting programme to save CHF 20 million by 2024:

We will achieve further cost savings by improving on our purchasing and by bundling activities across the different business areas, among other things, and will thus also be in a position to offer our customers new and smaller platforms.

Investments running into double-digit millions in digitalisation, innovation and internationalisation:

We have set up a new unit for innovation and digitalisation, which is attached to the management and holds central responsibility for the entire group in these fields. We will be able to offer new, primarily digital services and thus make our customers even more successful.

Creation of an independent business unit for the venues, with the aim of achieving a higher occupancy:
We wish to boost the occupancy of the halls through third-party exhibitions and other activities.

Various strategic options are being examined for financing these necessary investments and developments. One of the options is the entry of new investors at group level, which can be combined with a capital increase and corresponding changes in the shareholder structure. If this option is to be implemented, the appropriate decisions will need to be taken by the Annual General Meeting to permit its implementation.

Governance

In the context of the Extraordinary General Meeting of 29 January 2020, the Board of Directors issued a detailed statement on a large number of questions regarding the recent past and the future of the company. It is aware of the fact that, viewed from the current perspective, mistakes have been made over the past few years, especially with regard to the development of business at the Lausanne location and the Grand Basel project. It has reacted to this and has initiated and implemented the necessary measures. It has been possible to appoint new, experienced managers to the top management, and the management structures and processes have been optimised.

“Corona crisis”

Regrettably, the spread of the coronavirus in the initial months of 2020 represents a major setback for us. Art Basel in Hong Kong, Baselworld, Giardina in Zurich, Habitat-Jardin in Lausanne and other events have had to be postponed or cancelled. A large number of orders in the Live Marketing Solutions segment have been cancelled. We are endeavouring to find appropriate and fair solutions with the customers and partners affected.

Despite different cost-cutting measures, the corona crisis will have a strong impact on the business result for 2020. The stability of the company group is not at risk, despite these negative influences. Following a careful analysis of different scenarios, the management and the Board of Directors have reached the conclusion that the holding company has sufficient reserves in its liquidity and equity base for the different scenarios.

Successive and sustainable increase in company value

These developments in the current financial year are making the transformation process and strategy implementation all the more urgent, and we will be investing in these measures. They will support long-term growth and we will thus continue to press ahead intensively with them. Our unchanged aim is to take the company forward in a manner that upholds the interests of all stakeholders. We wish to create a sound capital basis for the company again, restore an appropriate earning capacity and successively and sustainably increase the value of the company.

We would like to thank everyone who contributed towards mastering the major challenges that face the MCH Group last year and who are also supporting us in the current situation. Special thanks go to all employees who have accepted the challenges involved in the transformation and are taking the company ahead with us – let's shape the future.

Dr. Ulrich Vischer
Chairman of the Board of Directors

Bernd Stadlwieser
Group CEO