
gategroup improves financials and growth in Q1

By **Rick Lundstrom** on May, 19 2016 | Catering



gategroup Holding AG is reporting a strong performance for the first quarter of 2016, attributing the success to a sustained business strategy called Gateway 2020 as well as several important contract renewals.

During the first quarter of its fiscal year, the company recorded revenue of CHF749.5 million (US\$761.4 million) in constant currency, up 11.9% from the same period in in 2015. The company said it achieved “organic volume growth” of 5.1%.

The company reported a constant currency EBITDA of CHF23.8 million (US\$24.1 million) for the first quarter, which was up 101.8% from the previous year’s CHF10.9 million (US\$11.07).

For the quarter, the Group reported a net loss of CHF6.5 million (US\$6.6 million) which was “attributable to shareholders for the first three months of 2016.” In the first quarter of 2015, the company recorded a loss of CHF 38.0 million (US\$38.6 million).

“The significant improvement of the net results was mainly due to improved EBITDA and lower finance costs together with a modest positive foreign exchange effect,” said a release from gategroup.

A report on the quarterly earnings states the group has achieved some important milestones in its Gateway 2020 strategy that focuses on on customer innovation, delivering growth and efficiencies, enhancing profitability and cash flow.

A focus on core business has achieved more than CHF170 million (US\$172.7 million) in renewals. Key customers for renewals include United Airlines and American Airlines along with five-year extension for catering services to Hong Kong Airlines out of its main hub.

Also among the achievements cited by gategroup were improvements in its existing retail platform enhanced by the purchase of Inflight Service Group, which was completed in February and is undergoing integration.

By the end of first quarter 2016, gategroup reported that it had achieved approximately 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 CHF 20 million per annum,” said gategroup.

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

In March, gategroup acquired 75% of [Cambodia Air Catering Services](#). The company says CACS has

strong business from Cathay Dragon, China Airlines, Bangkok Airways and the Kingdom's flag carrier, Cambodia Angkor Air. CACS is has units in Phnom Penh and Siem Reap.

Xavier Rossinyol, gategroup Chief Executive Officer, said: "gategroup continues to enhance every area of the business with the main focus on our customer. We have deepened customer relationships through significant contract renewals this quarter that in total exceed CHF170 million per year, including the five-year renewal with Hong Kong Airlines, and have further expanded our presence in emerging markets by extending our footprint into Cambodia. We have introduced new and innovative products and strengthened our service offering."

A full report, including breakdowns of business by region segments can be found on the [gategroup website](#).