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EDENRED ACCELERATES ITS DEVELOPMENT IN EXPENSE MANAGEMENT

The Group doubles the size of its fuel card business in Brazil

Edenred announces the signature of an agreement with the Brazilian group Embratec whereby both companies will combine their Expense Management assets in a joint-venture 65% owned by Edenred and 35% by Embratec's founding shareholders. This transaction will give shape to a major player in the Brazilian Expense Management market.

Founded in 1999, Embratec develops fuel cards and maintenance solutions in Brazil, serving around **15,000 corporate customers** and accepted by some **19,000 affiliated service stations and maintenance workshops**. In 2014, it generated **3,492 million reais¹** in issue volume, making Embratec a relevant player in the fuel card business in Brazil.

Embratec also develops solutions on the promising **employee benefits** and **salary anticipation** markets. In 2014 those businesses generated an issue volume of, respectively, 455 million reais and 522 million reais².

In 2014, Embratec achieved overall **4,470 million reais in issue volume**, 275 million reais in revenue and 90 million reais in EBITDA³ representing an EBITDA margin on revenues of more than 30%.

Creation of a major player in Expense Management in Brazil

Edenred and Embratec will combine their Brazilian **Expense Management** assets and Embratec's Salary Anticipation business within a joint-venture, **owned at 65%** by Edenred and 35% by Embratec's historic shareholders.

Edenred will contribute its *Ticket Car* and *Repom* businesses, Embratec bringing to the joint-venture all of its **fuel card, maintenance and freight** businesses operated under the *Ecofrotas* and *Expers* brand names. The salary anticipation business, which has strong growth potential, will also be incorporated. Based on 2014 figures, the issue volume and revenue of the new entity would be **7,631 million reais** and **450 million reais⁴** respectively.

The new entity will make Edenred a key player in the Brazilian fuel card market with a **market share of around 18%** (excluding freight). The Group will serve around 27,000 customers and rely on a network of 23,500 affiliated service stations. The transaction will enable Edenred to **double the size of its fuel card operations in Brazil**.

¹ Issue Volume of 946 million euros at 2015 average exchange rate of R\$3.693 for 1 euro.

² Issue Volume of respectively 123 and 141 million euros at 2015 average exchange rate of R\$3.693 for 1 euro.

³ Issue Volume of 1,210 million euros, revenue of 74 million euros and EBITDA of 24 million euros at 2015 average exchange rate of R\$3.693 for 1 euro.

⁴ Issue Volume of 2,066 million euros and revenue of 122 million euros at 2015 average exchange rate of R\$3.693 for 1 euro.

Improved positioning in Employee Benefits

Edenred will also acquire a 100% interest in Embratic's **employee benefits business**, developed under the *Ecobeneficios* name. It generated **455 million reais**⁵ in issue volume in 2014. This acquisition will consolidate Edenred's market share in Brazil and increase local issue volume for this business by 3%.

Unique opportunity in line with Group strategy

The alliance with Embratic is fully in line with Edenred's strategy of accelerating its development in **Expense Management**, the second pillar of growth for the Group. Annual growth rate on this business topped 20% between 2009 and 2014, raising Expense Management contribution to Group's issue volume from 7% to 14%. After the transaction, and based on 2014 figures, Expense Management will account for 17% of Edenred issue volume. As a reminder, the Group also has a call option to increase its stake in UTA to 51%, which can be exercised from 2017 onward⁶. Edenred would therefore achieve its target of generating more than 30% of its issue volume in Expense Management by 2017.

Infrastructure in Brazil makes road the preferred means of transportation for goods and people. B2B fuel consumption in 2014 stood at approximately 60 billion liters and the market penetration rate for fuel cards is low (between 15 and 20%). The Brazilian Fuel & Fleet market therefore offers **strong growth potential**.

"Edenred is delighted to seize this unique opportunity: this alliance will double the size of our operations in the Brazilian fuel card market. We will incorporate the recognized expertise of Embratic's teams and benefitting from the support of its historic shareholders. This deal is fully in line with Edenred's strategy to accelerate its expansion in Expense Management, which holds promising growth prospects," declared Bertrand Dumazy, Edenred Chairman and CEO.

A value-creating transaction

Edenred will finance this deal mainly by contributing its Brazilian Expense Management assets to the new entity, in which it will hold a 65% stake, complemented by a cash payment **790 million reais, equivalent to approximately 180 million euros**⁷. The transaction implies a multiple of around 14 times EBITDA to value assets (including some synergies).

The combination of Embratic and Edenred assets and expertise will generate **numerous opportunities to create value** through business synergies and the mutualization of resources.

The new joint-venture dedicated to **Expense Management**, and Embratic assets in **employee benefits**, will be consolidated into Edenred's financial statements on completion of the transaction, which will have an **accretive impact on Group net income of around 2%** in 2016 (on an annual basis and before purchase accounting impact).

The closing of the deal is subject to approval from the competent authorities, including CADE, the Brazilian competition authority. It is expected to be finalized in first half 2016.

⁵ Issue Volume of 123 million euros based on 2015 average exchange rate of R\$3.693 for 1 euro.

⁶ Following the acquisition on February 27, 2015 of a 34% stake in Union Tank Eckstein (UTA), a leading issuer of fuel cards for heavy vehicle fleets in Europe.

⁷ Based on closing price of BLR R\$4.389 for 1 euro on January 11, 2016.

Edenred, which invented the Ticket Restaurant® meal voucher and is the world leader in prepaid corporate services, designs and manages solutions that improve the efficiency of organizations and purchasing power to individuals.

By ensuring that allocated funds are used specifically as intended, these solutions enable companies to more effectively manage their:

- **Employee benefits** (Ticket Restaurant®, Ticket Alimentación, Ticket CESU, Childcare Vouchers, etc.)
- **Expense management process** (Ticket Car, Ticket Clean Way, Repom, etc.)
- **Incentive and rewards programs** (Ticket Compliments, Ticket Kadéos, etc.)

The Group also supports public institutions in managing their **social programs**.

Listed on the Euronext Paris stock exchange, Edenred operates in 42 countries, with more than 6,000 employees, nearly 660,000 companies and public sector clients, 1.4 million affiliated merchants and 41 million beneficiaries. In 2014, total issue volume amounted to €17.7 billion, of which almost 60% was generated in emerging markets.

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