

Operational excellence

We deliver operational efficiency in support to GBL's value creation

Solid and flexible financial structure

GBL's objective is to maintain a sound financial structure, with:

- a solid liquidity profile; and
- a limited net indebtedness in comparison to its portfolio value.

The financial strength derived from the liquidity profile ensures readily available resources enabling to quickly seize investment opportunities throughout the economic cycle and allowing to pay a stable or growing dividend over the long term.

The evolution of the Loan To Value ratio results from the crystallisation of investment opportunities for significant stakes in the capital of companies meeting GBL's investment criteria, in the framework of the portfolio rotation strategy.

This ratio is continuously monitored and has been permanently maintained below 10% over the last 15 years. This conservative vision is consistent with GBL's patrimonial approach and allows to weather potential market downsides through the cycle.

At year-end 2018, GBL had:

- a Loan To Value ratio of 4.2%; and
- a liquidity profile of EUR 2.5 billion, consisting of both cash and cash equivalents for EUR 0.4 billion and undrawn committed credit lines for EUR 2.1 billion maturing in 2022 and 2023.

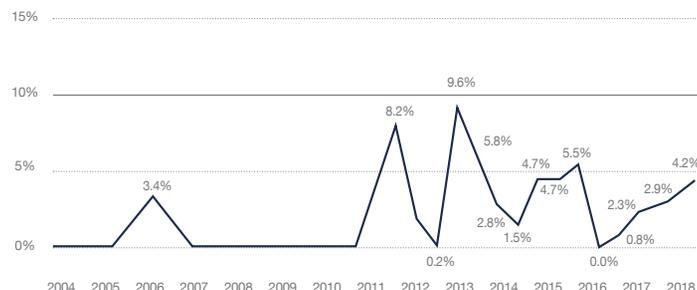
Sound governance

GBL has a stable and solid family shareholder base and is supported by the partnership between the Frère and Desmarais families, which has been in place for several decades. The current shareholders' agreement between the two families is effective until 2029, with the possibility of extension, and establishes parity control in Pargesa Holding S.A. and GBL.

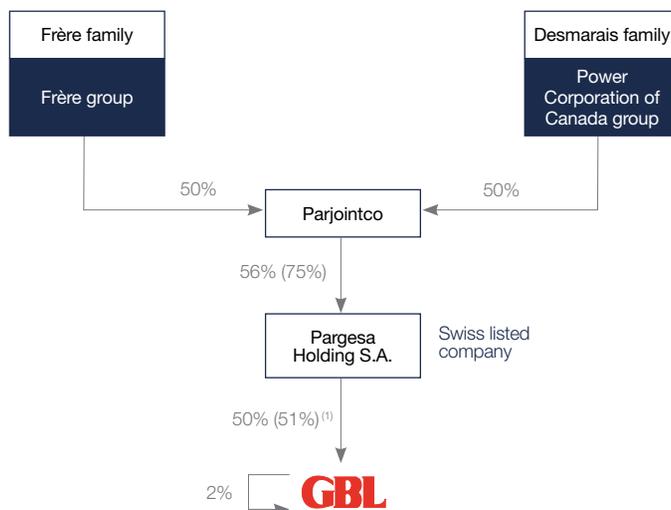
GBL has a solid governance in place, as detailed in the Governance section in pages 160 to 194, and its strong relations with its controlling shareholders enable it to move quickly to seize investment opportunities.

The remuneration policy defined for GBL's co-CEOs and detailed in page 175 aligns their salary package with the shareholders' interests through the absence of variable cash component and a long-term incentive plan being subject to Total Shareholder Return performance.

Loan To Value



Simplified shareholding structure as of December 31, 2018



% ownership
(% voting right)
(1) Taking into account the suspended voting rights relating to treasury shares

Cost efficiency

GBL pursues operational excellence, maintaining a strong focus on cost discipline.

This allows it to record low operating expenses⁽¹⁾ in comparison to its net asset value, which have historically remained below 20 bps.

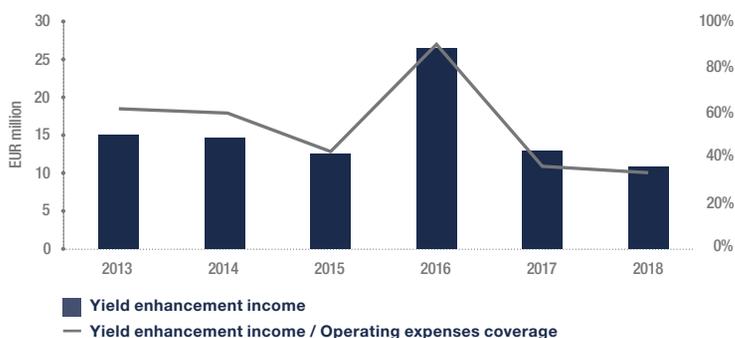
Operating expenses⁽¹⁾ / Net asset value



Yield enhancement

As an additional lever of value creation, GBL has historically developed yield enhancement activities. They consist primarily in the trading of derivatives conducted in a highly conservative manner as they are executed by a dedicated team exclusively in vanilla products, with very short maturities and low delta levels, and based on the in-depth knowledge of the underlying assets in portfolio. Since 2012, the income generated by this activity has fluctuated depending on market conditions and covered 53% of GBL's operating expenses⁽¹⁾ on average.

Yield enhancement income⁽¹⁾ / Operating expenses⁽¹⁾ coverage



(1) As presented in the cash earnings

Balanced business model

GBL's dividend distribution is primarily derived from the net dividend contribution of its portfolio companies, after deduction of its cost structure.

GBL's payout ratio is computed based on the cash earnings. The payout computation consequently does not take into account the cash inflows from asset disposals.

As a result of the partial disposal of the high-yielding assets of the energy and utilities sectors, in 2018, GBL's dividend distribution has exceeded its cash earnings. This negative dividend gap remains however limited and is considered temporary as the reinvestment of the proceeds from those asset disposals is in progress. On that basis and taking into account GBL's material liquidity profile and distributable reserves, this does not jeopardize GBL's objective of sustainable dividend growth over the long term.

GBL has a solid liquidity profile ensuring the availability of resources to implement its investment strategy throughout the economic cycle.

