

# ACQUISITION OF THE NUANCE GROUP

PRESENTATION

4 June 2014

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**1. Transaction summary and highlights**

**2. Overview of Nuance**

**3. Business Combination (Dufry + Nuance)**

**4. Combination and integration considerations**

**5. Financial considerations**

**6. Conclusion**

## 1. Transaction summary and highlights

## 1 Attractive synergy potential

- Anticipated substantial cost reduction opportunities
- Expected gross margin improvement based on increased purchase power and optimized logistics structure
- Anticipated rapid implementation of synergies starting in 2015

## 2 Strong value creation for shareholders

- Robustly accretive to cash EPS as of 2015 financial year and double-digit accretive thereafter

## 3 Combination of Dufry and Nuance to create the global leader in travel retail

- Transformational deal changing the competitive landscape – airport retail market leader with c. 15% market share<sup>(1)</sup>
- Balanced and diversified geographic portfolio with strong positions in Dufry's strategic markets
- Combined group will hold leading positions in Mediterranean, LatAm, North America and attractive concession mix in Asia
- Size and scale to drive further growth and consolidation of the fragmented travel retail market

## 4 Diversified business with attractive concessions in different markets

- Attractive concessions in Turkey, Asia, US, Canada and Switzerland
- Diversified long-term concession portfolio

## 5 Strong fit with Dufry's expansion strategy

- Further strengthening of Dufry's diversified long-term concession portfolio with access to new markets and new concessions
- Strengthens Dufry's position in Asia
- Concessions in Turkey, Malta and Portugal complement Dufry's Mediterranean business
- Operations in US + Canada underpin leading position in that market

(1) Source Verdict Research (based on sales).

- **Dufry to acquire 100% of Nuance for consideration of CHF 1.55 billion, on a debt- and cash-free basis**
- **The acquisition is expected to be financed with a combination of equity and debt**
  - Acquisition to be financed with a capital increase of approximately CHF 1,000 million and CHF 550 million of new debt
  - Transaction related financing is fully secured through a committed bridge financing
  - Invitation to EGM to create new capital
  - Dufry intends to use part of its existing conditional capital authorisation<sup>(1)</sup> as part of the capital increase
- **The proposed transaction is subject to customary regulatory approvals**
- **Closing is expected during Q3 2014**
- **The operations of Nuance will be combined with Dufry with the expectation to be fully integrated within next 12-18 months**

(1) Current conditional capital amounts to 2.7 million shares.

## 2. Overview of Nuance

## Nuance – a leading global travel retail group

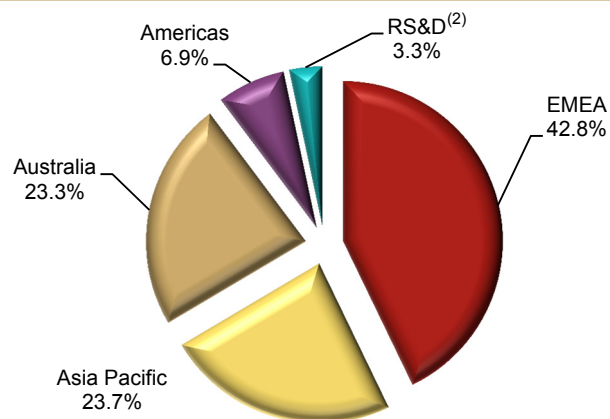
### Key facts

- Nuance is a leading duty-free and travel retail group serving over 31 million travelling customers per annum
- Nuance operates c. 360 stores, primarily in airports, across 66 locations in 19 countries and territories globally with a total sales area of approx. 75'000 square meters
- In 2013 Nuance generated a turnover of CHF 2,095 million and an EBITDA of CHF 131 million. Adjusted for Australian concessions, turnover amounts to CHF 1,608 million and EBITDA to CHF 156 million
- The company is headquartered in Zurich and organized in 4 regions: EMEA, Asia Pacific, Americas and Australia

### Key financials

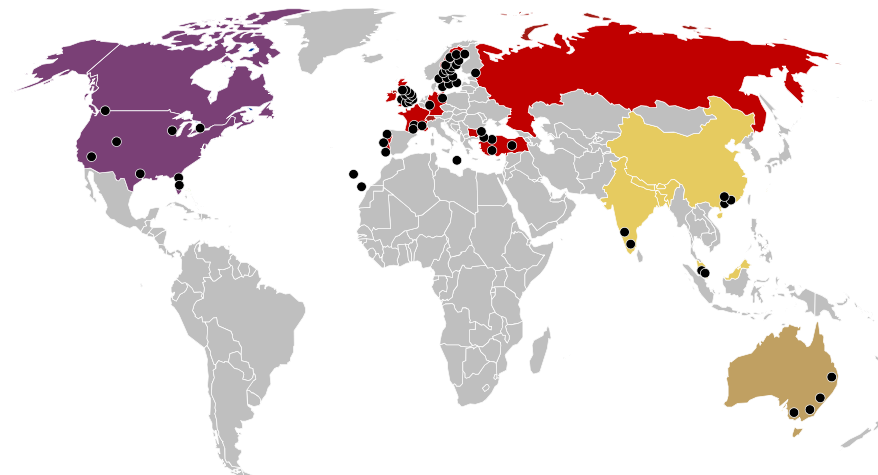
In CHF million	2012 (Restated)	2013
Turnover	2,372	2,095
Adj. Turnover <sup>(1)</sup>	1,831	1,608
Gross Profit	1,345	1,170
<i>Gross Margin</i>	56.7%	55.8%
EBITDA	160	131
<i>EBITDA Margin</i>	6.8%	6.3%
Adj. EBITDA <sup>(1)</sup>	201	156
<i>Adj. EBITDA Margin<sup>(1)</sup></i>	11.0%	9.7%

### Nuance turnover by region 2013



(1) Adjusted for Australian concessions.  
(2) Retail Services & Distribution.

### Geographic footprint

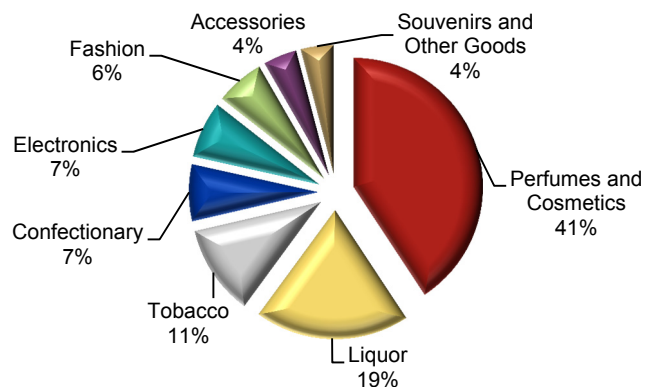




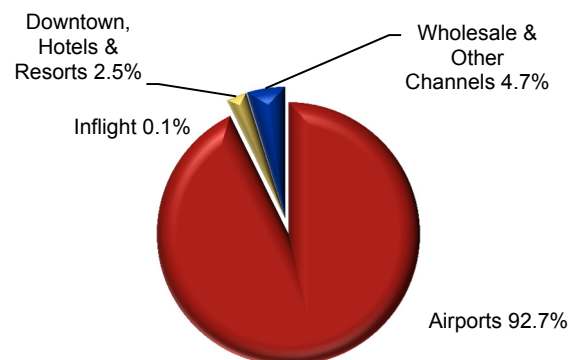
## Global locations footprint, attractive concession portfolio and product offering

### Nuance turnover distribution 2013

#### By product category



#### By channel

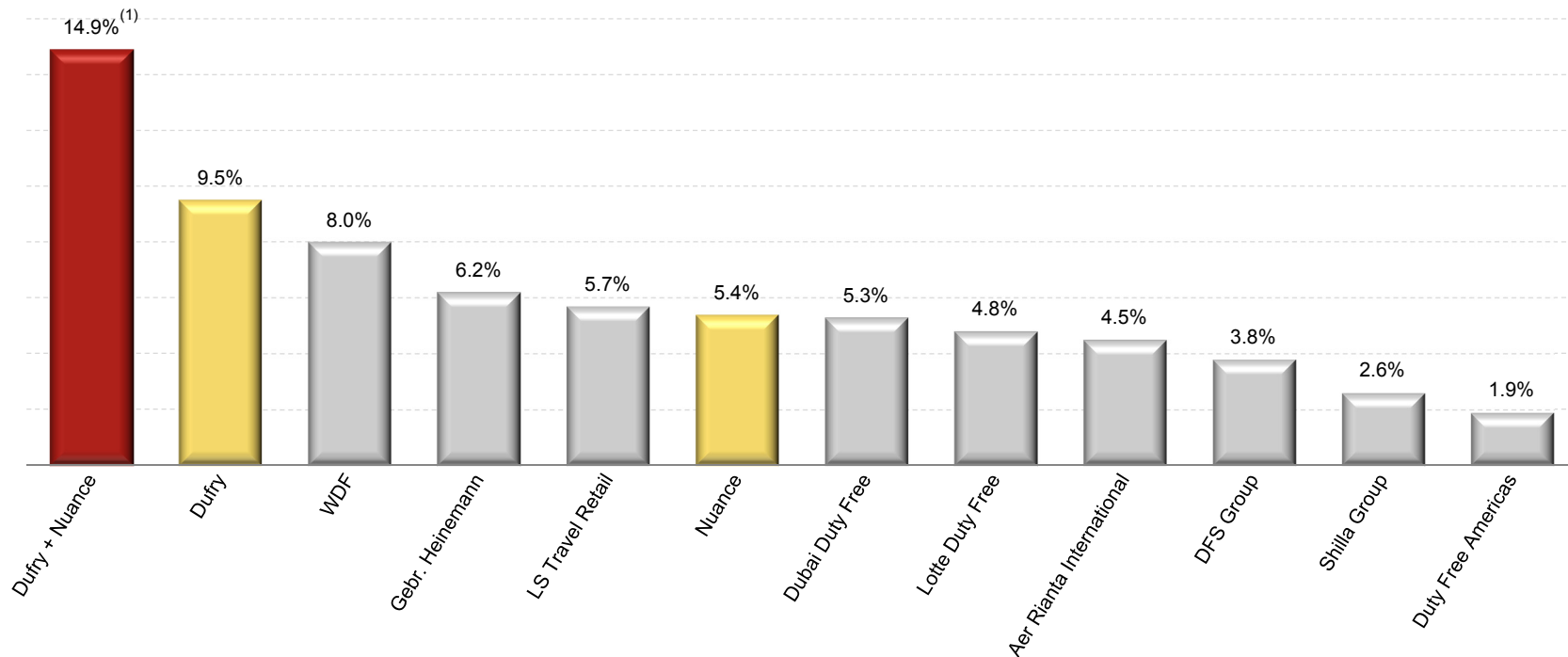


### Retail locations overview

Region	Countries & Territories	Locations	FTE	Retail Space (in sqm)	# Shops	Turnover 2013 (CHF million)	Turnover 2013 (% total)
EMEA	10	47	2,848	41,300	224	897	42.8%
Asia Pacific excl. Australia	6	7	1,038	12,000	76	496	23.7%
Australia	1	4	811	13,800	17	487	23.2%
Americas	2	8	615	7,600	40	145	6.9%
Retail Services & Distribution						70	3.3%
<b>Total</b>	<b>19</b>	<b>66</b>	<b>5,372</b>	<b>74,700</b>	<b>357</b>	<b>2,095</b>	<b>100%</b>

### 3. Business Combination (Dufry + Nuance)

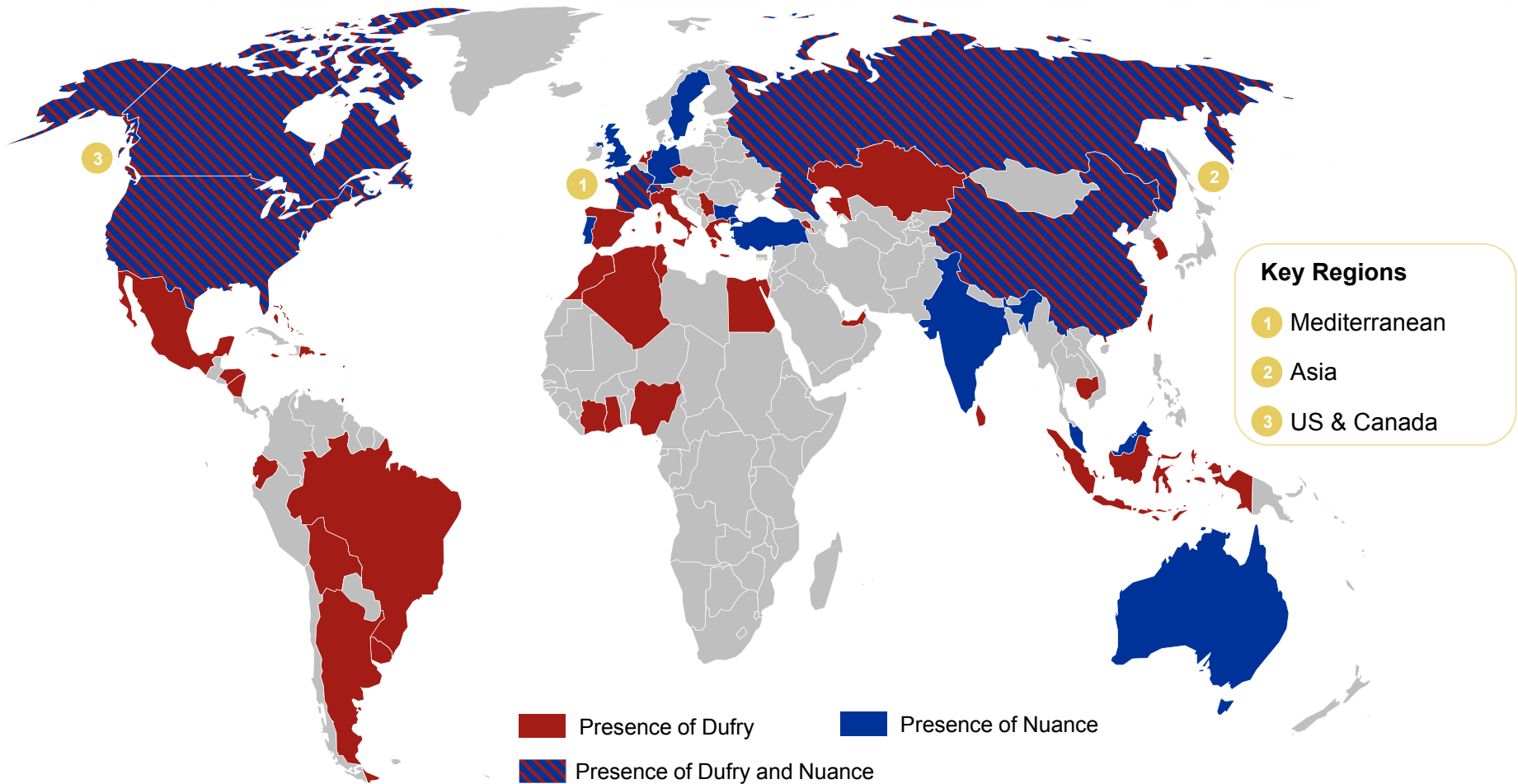
## Ranking airport retail industry by market share (2013A)



Source: Verdict Research.

(1) Sum of Dufry standalone plus Nuance standalone, i.e. no further adjustments made.

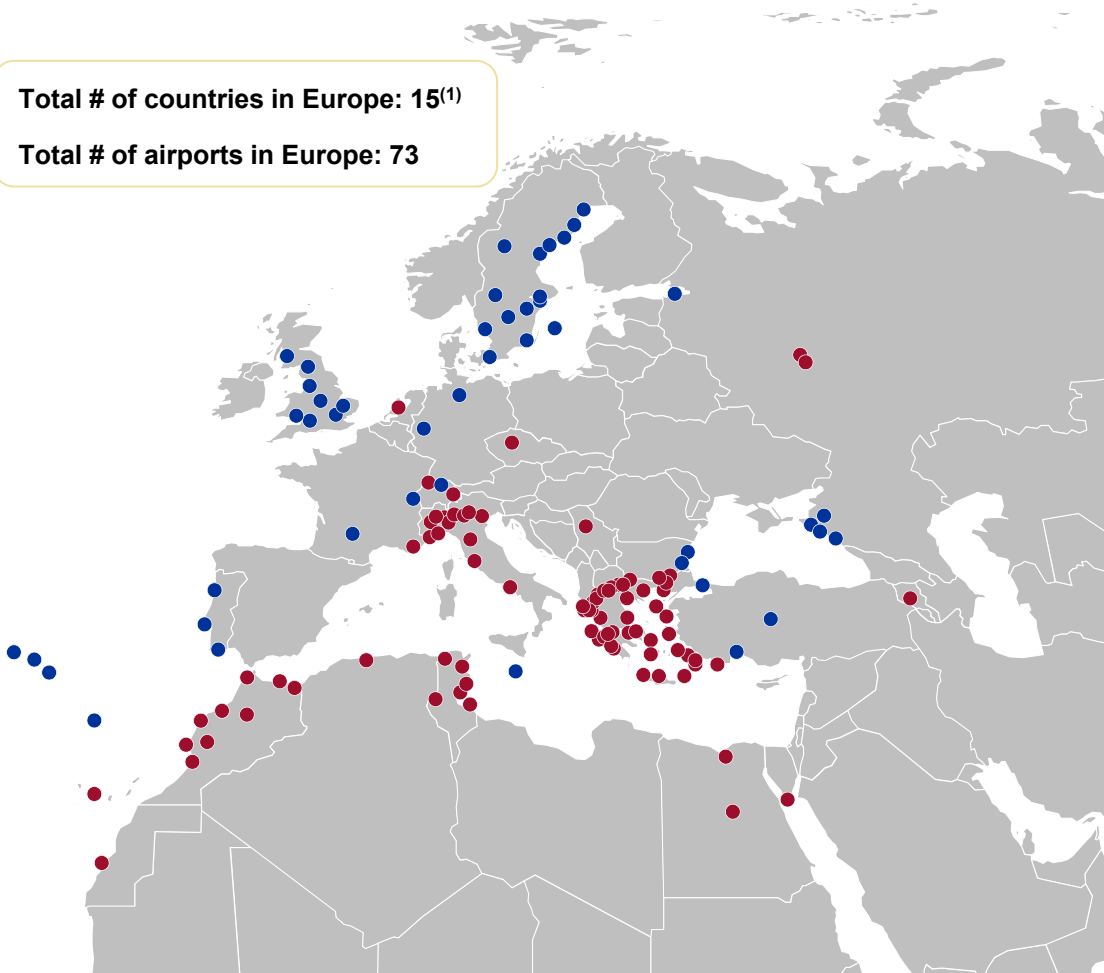
- Transformational deal changing the competitive landscape
- Size and scale to drive further growth and consolidation of the highly fragmented airport retail market



- Further diversification of concession portfolio
- Adding new countries and operations with strong fit with Dufry's key areas
- All operations to be integrated into Dufry's current Business unit structure

Total # of countries in Europe: 15<sup>(1)</sup>

Total # of airports in Europe: 73

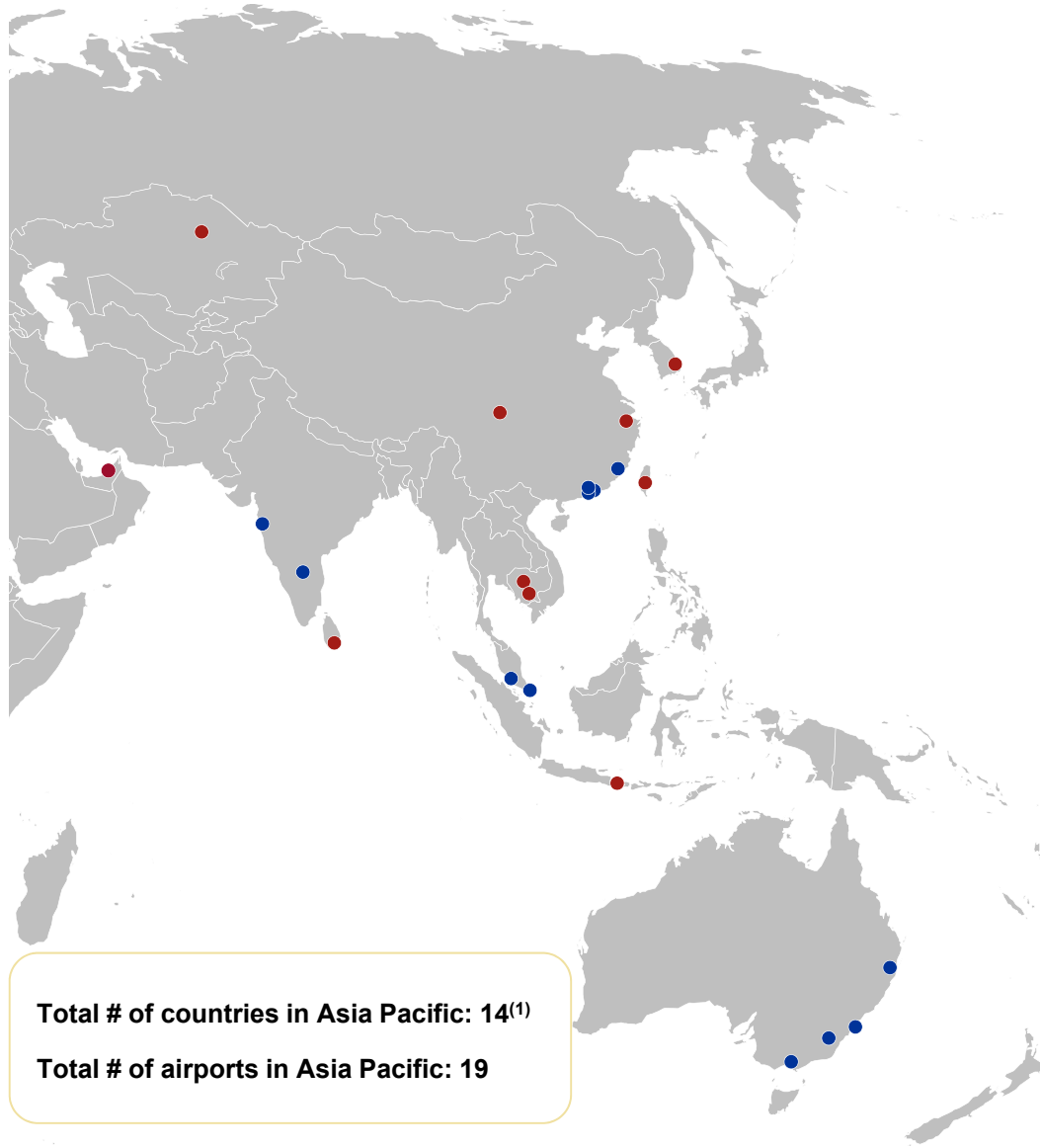


- Presence of Dufry
- Presence of Nuance

- **Turkey, Malta and Portugal complement Dufry's presence in Mediterranean**
- **Mediterranean is one of the most important tourist destination globally**
- **Reinforcing presence in Switzerland and Russia**
- **Adding new markets, e.g. Sweden and UK**

Note: Map does not show Dufry's presence in Ghana, Ivory Coast and Nigeria.

(1) Including Czech Republic, France, Greece, Italy, The Netherlands, Serbia, Spain, Switzerland, Bulgaria, Germany, Malta, Portugal, Sweden, Turkey and United Kingdom.

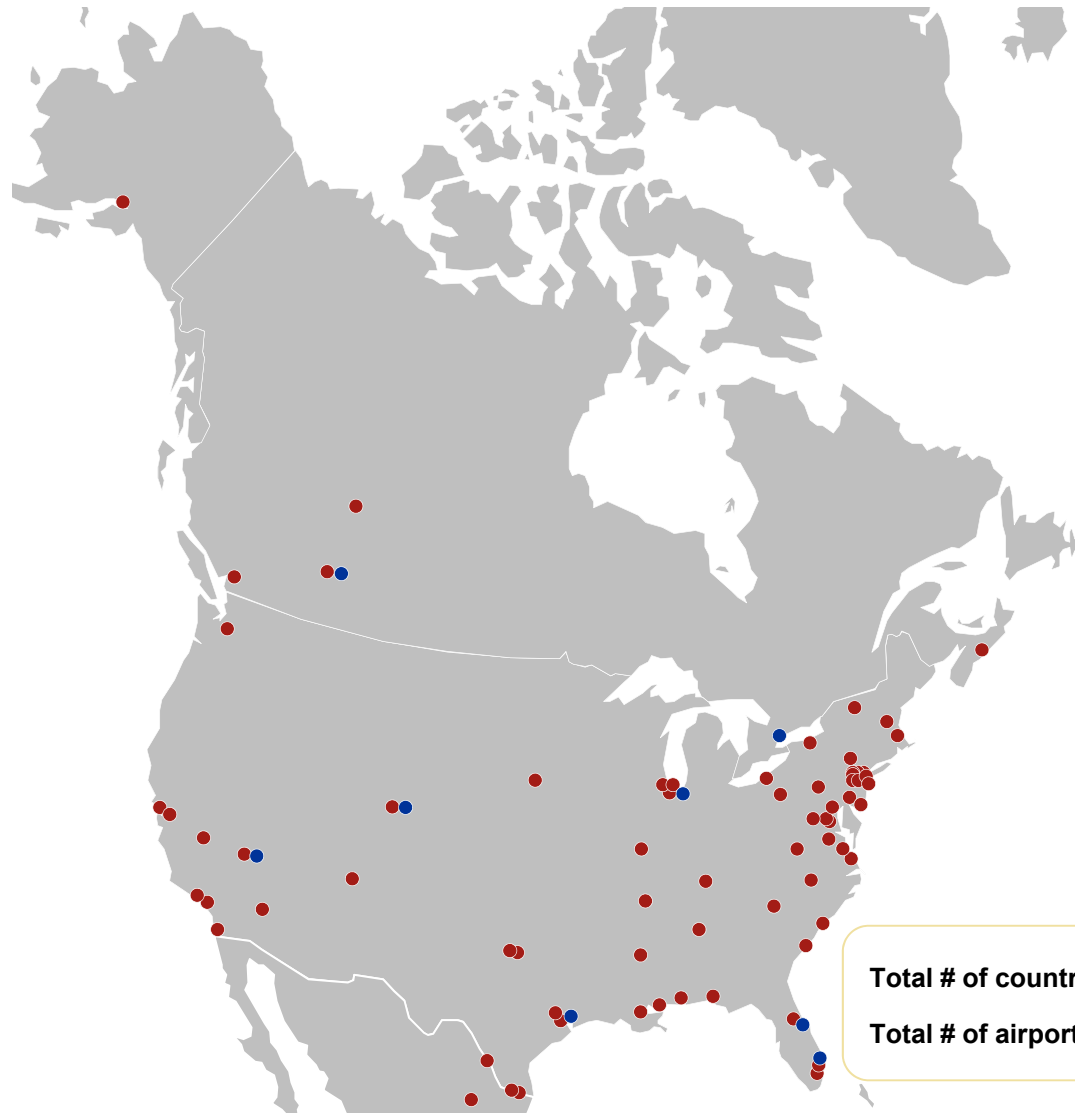


- Presence of Dufry
- Presence of Nuance

- **Strong track record of Nuance in Asia will strengthen existing platforms**
- **Nuance's concessions in mainland China, Hong Kong and Macau will be complementary to Dufry's operations in mainland China, South Korea, and Taiwan**
- **In South East Asia, the combined entity will have a presence in Cambodia, Indonesia and Sri Lanka**
- **Nuance will add airport retail activities in India and Malaysia**

**Total # of countries in Asia Pacific: 14<sup>(1)</sup>**  
**Total # of airports in Asia Pacific: 19**

(1) Including Armenia (not shown on map), Cambodia, China, Indonesia, Kazakhstan, Russian Federation (not shown on map), Sri Lanka, United Arab Emirates, India, Malaysia, South Korea, Singapore, Taiwan and Australia.



- Presence of Dufry
- Presence of Nuance

- Reinforce leading position in US and Canada with additional duty-free contracts
- Economies of scale
- Further potential to combine duty-free and duty-paid going forward
- Integration with Hudson business

Total # of countries in North America: 2<sup>(1)</sup>

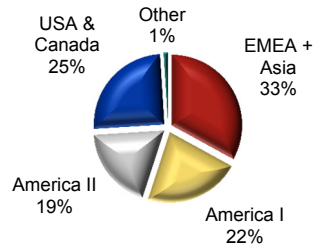
Total # of airports in North America: 61

(1) Including United States and Canada.

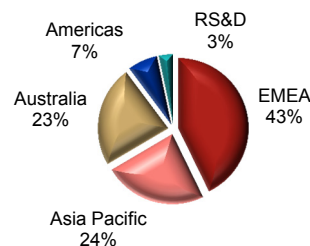
# Transaction impact on business operations

Split by region<sup>(1)</sup>

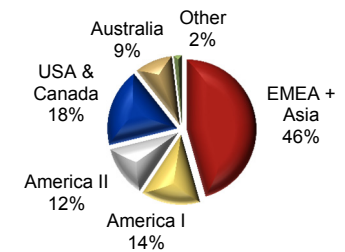
Dufry net sales: 3,465



Nuance turnover: 2,095

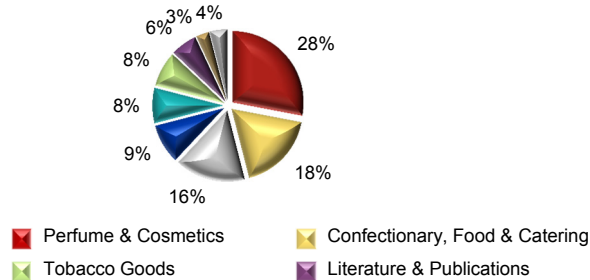


Combined: 5,560<sup>(2)</sup>

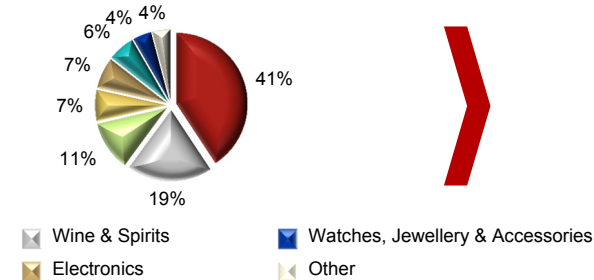


Split by product category<sup>(1)</sup>

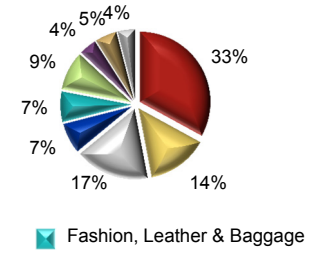
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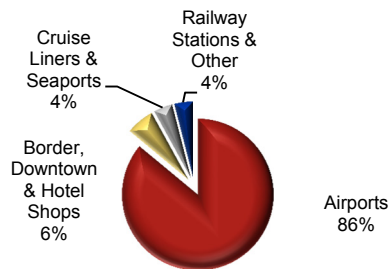


Combined: 5,560<sup>(3)</sup>

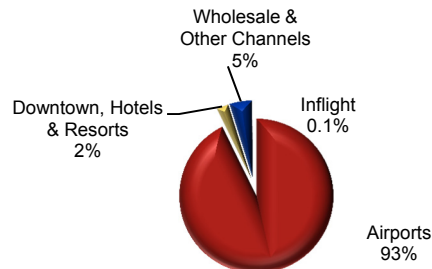


Split by channel<sup>(1)</sup>

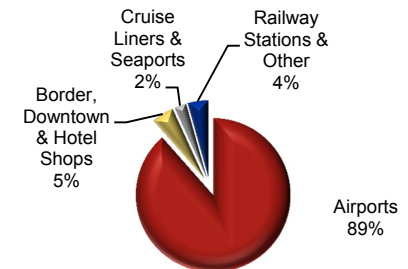
Dufry net sales: 3,465



Nuance turnover: 2,095



Combined: 5,560<sup>(4)</sup>

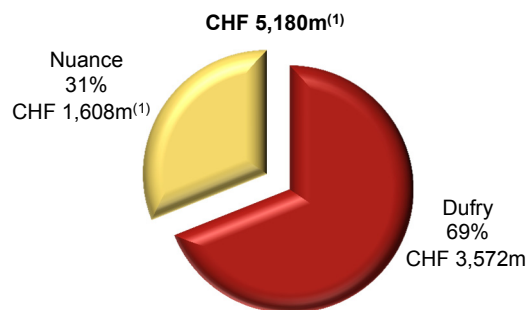


(1) Absolute figures in CHF million.  
 (2) Nuance EMEA and Asia Pacific allocated to EMEA + Asia, Nuance Americas allocated to USA & Canada, Nuance RS&D allocated to Other.  
 (3) Nuance Liquor allocated to Wine & Spirits, Nuance Tobacco allocated to Tobacco Goods, Nuance Fashion allocated to Fashion, Leather & Baggage, Nuance Confectionary allocated to Confectionary, Food & Catering, Nuance Accessories allocated to Watches, Jewelry & Accessories, Nuance Souvenirs & Other Goods allocated to Other.  
 (4) Nuance Downtown, Hotels & Resorts allocated to Border, Downtown & Hotel Shops, Nuance Inflight and Nuance Wholesale & Other Channels allocated to Railway Stations & Other.

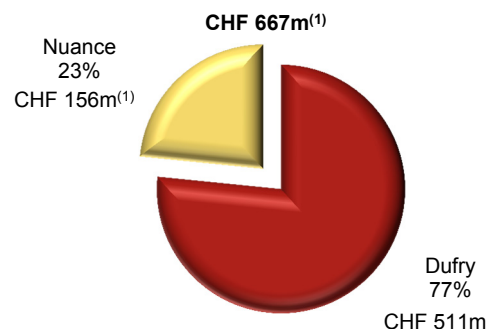


## 4. Combination and integration considerations

## Dufry + Nuance combined turnover split (2013A)



## Dufry + Nuance combined EBITDA split (2013A)



## Synergy potential in the acquired business

### Gross Profit Improvement

- Enhanced purchasing power from bigger volumes and higher exposure
- Consolidated logistic platform
- Optimization of supply chain
- Expected synergies: c. CHF 35m p.a.

### Cost Reduction

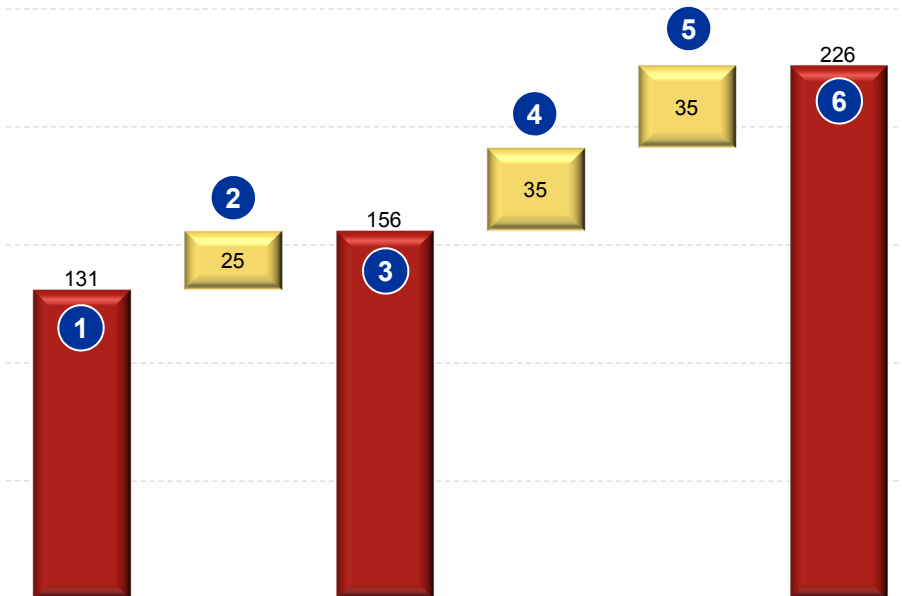
- Reorganisation of overhead and admin cost due to combining Dufry's and Nuance's global and regional HQs
- Lower General & Administrative cost base thanks to economies of scale
- Estimated synergies: c. CHF 35m p.a.

**Expected pre-tax cost synergies starting in 2015 with the full impact of approximately CHF 70 million per year starting from 2016 onwards**

- Non-recurring integration expenses of CHF 20m expected in 2014 and CHF 10m in 2015

Note: Combination based on sum of Dufry standalone plus Nuance standalone.  
(1) Adjusted for Australian concessions.

## Nuance pro forma adjusted EBITDA bridge (CHF m)

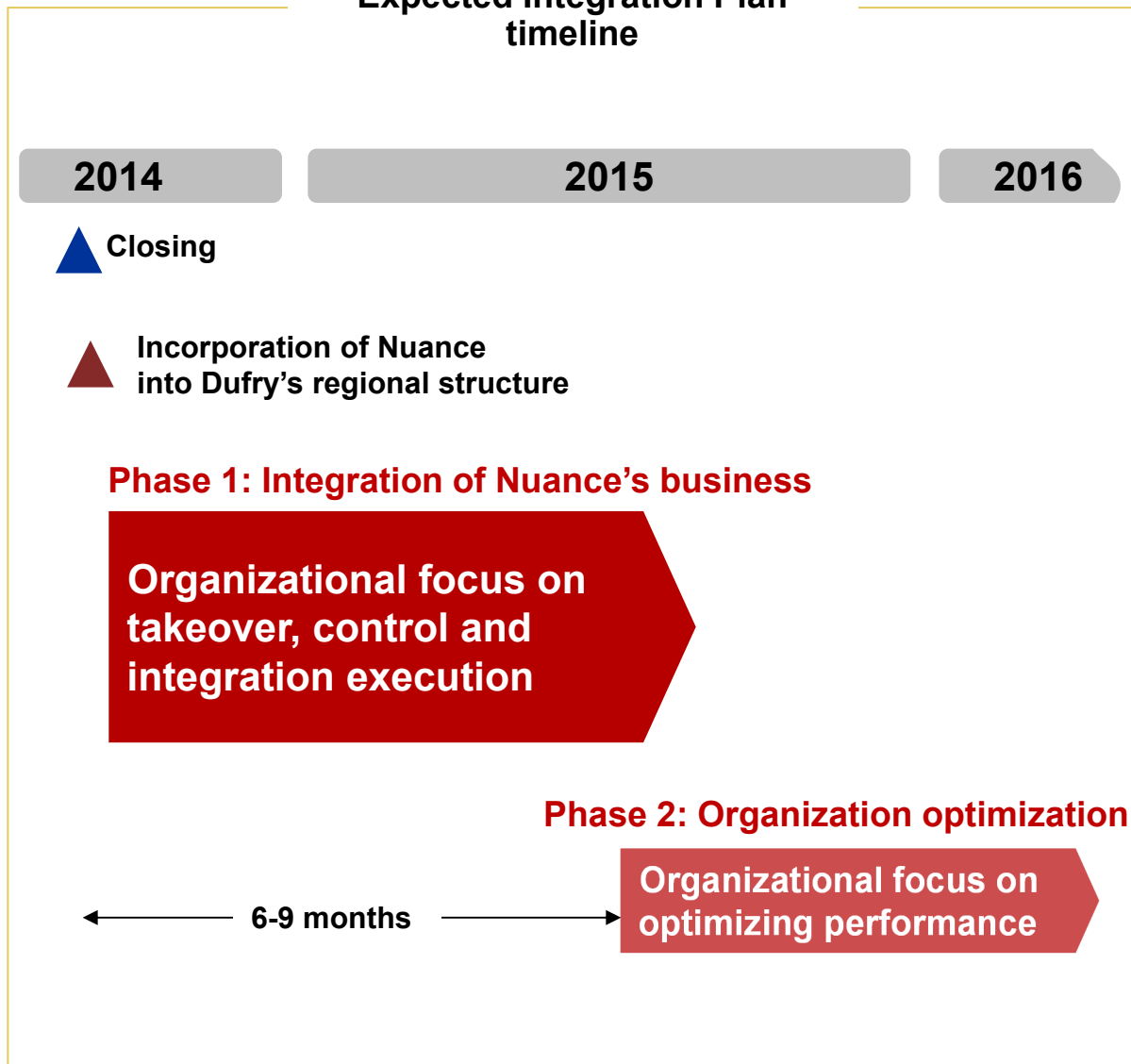


- 1 EBITDA FY13 (Margin of 6.3%)
- 2 Adjustment Australia EBITDA losses
- 3 Adjusted EBITDA FY13 (Margin of 9.7%)
- 4 Gross margin synergies estimate
- 5 Cost synergies estimate
- 6 PF adjusted EBITDA 2013 including target synergy potential

## Attractive additional synergy potential for Dufry's current business

- **Additional top-line growth at combined group**
  - Generate incremental revenues through developing existing locations
  - Broader retail formats
  - Operational know-how leads to better understanding of key turnover drivers
  - Combined marketing firepower and synchronised appearance
  - Improved operational strategies based on combined experiences
- **Strengthen position for renewals and new contracts in key strategic areas**
  - Strong local teams
  - Market leader with strong credentials
- **Additional synergy potential: gross margin improvement on existing Dufry business**
  - Increased weight with suppliers and adding new exposure may result in group-wide benefits

## Expected Integration Plan timeline



- The complexity derived from Nuance's global scale and scope as well as the size of the value creation potential for Dufry require focus on the integration execution and the realization of synergies in the short term
- The lead on integration will be assumed by a team of Dufry senior executives
- Expected 3 months period to incorporate Nuance into the current Dufry's regional structure and re-organized Business Unit configuration
- A dedicated structure will be deployed to ensure takeover and control, drive integration execution and enable the realization of synergies
- Once the new business is integrated, expected in 6-9 months, the organization will be reviewed for optimized business performance

## Integration Project Organization: Integration initiatives

### Integration initiatives

#### 1. Takeover and preserve value

Luis Marín

#### 2. Business Operating Model

Jose Antonio Gea

#### 3. Functional integration

Jordi Martín-Consuegra

#### 4. Financial integration

Andreas Schneider

- **Financial control of the new business**

- Take-over control
- Review of the acquired assets and liabilities
- Review and handover of the identified risks

- **Integration & standardization of Global Operations' functions:**

- Procurement
- Logistics
- Retail Operations
- Marketing
- Customer support
- Business development

- **Nuance restructuring**

- HQ reorganization
- Operations overlap rationalization

- **Integration & standardization of support functions**

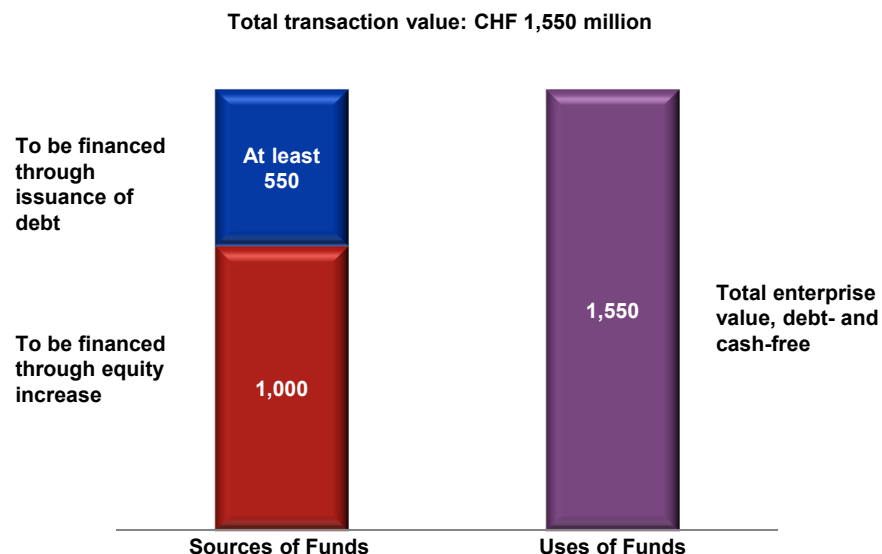
- O&HR, IT
- Internal audit

- **Integration & standardization of the Finance function:**

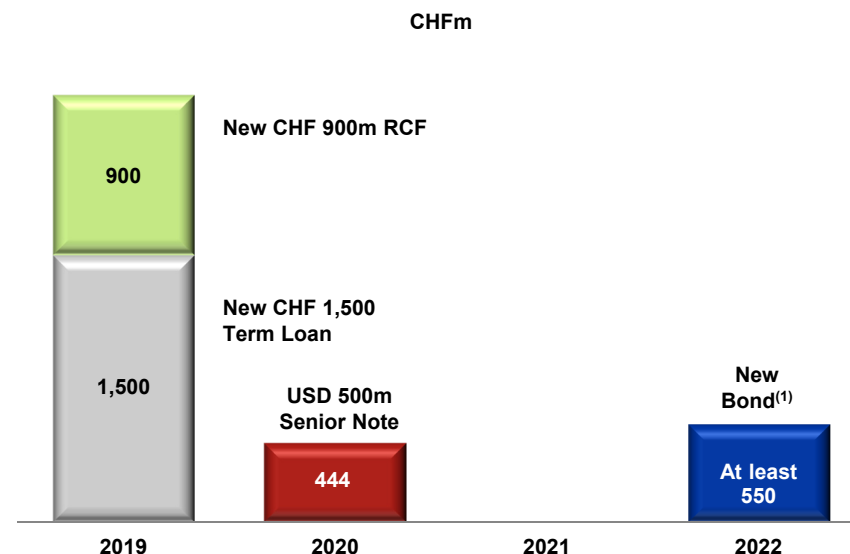
- Finance and Reporting
- Treasury
- External audit
- Taxation

## 5. Financial considerations

## Envisaged valuation and transaction financing structure



## Debt maturity profile post transaction and refinancing of existing facilities

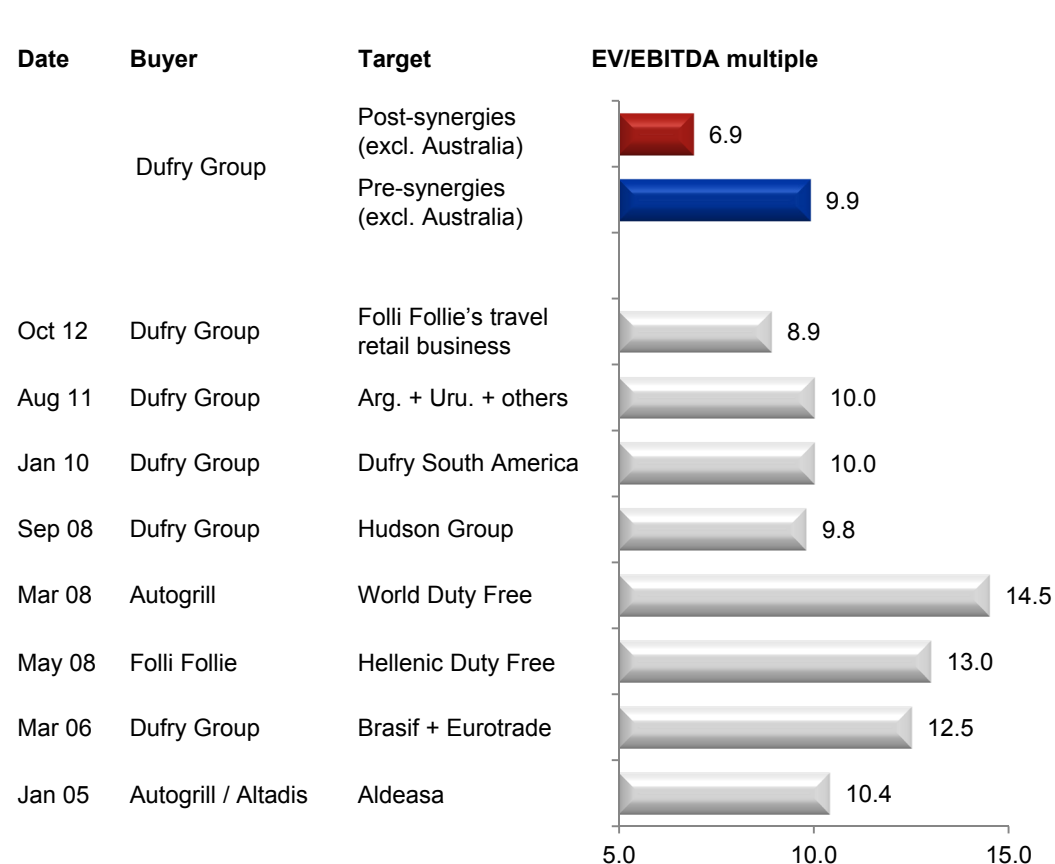


- **Bridge Financing of CHF 1.6 billion**
  - Fully underwritten
  - Take-out through combination of equity and debt
- **Equity increase of CHF 1,000 million**
  - EGM to be convened to approve ordinary capital increase
  - Use of existing conditional capital (2.7m shares) to be considered
- **Bond issuance of at least CHF 550 million**
- **Existing bank debt to be fully refinanced**
- **Extended debt maturity profile to 2019**
  - CHF2.4 billion, of which
    - CHF1.5 billion term loan, and
    - CHF0.9 billion revolving credit facility

(1) 7 or 8 years maturity.



## Acquisition multiple vs. selected comparable transactions<sup>(1)</sup>



- **Attractive transaction multiple of 9.9x pre-synergies (excl. Australia) 2013 adjusted EBITDA below current Dufry trading multiple of 12.7x<sup>(2)</sup> 2013 EBITDA**
- **Transaction multiple of 6.9x post-synergies (excl. Australia) 2013 adjusted EBITDA**
- **Strong value creation for shareholders – expected to be robustly accretive to cash EPS as of 2015 financial year and double-digit accretive thereafter**

(1) Based on LTM EBITDA at time of transaction (pre-synergies).

(2) Based on share price of CHF 148.0 as of 30 May 2014.

## Dufry and Nuance – side-by-side financials and expected acquisition impact

(CHF million)	Dufry FY Dec/13	%	Nuance FY Dec/13	%	Comments
<b>Turnover</b>	<b>3,572</b>	<b>100.0%</b>	<b>2,095</b>	<b>100.0%</b>	Thereof Australia turnover of CHF 487m as of FY2013. Key concession to expire in the next 12 months.
<b>Gross profit</b>	<b>2,106</b>	<b>59.0%</b>	<b>1,169</b>	<b>55.8%</b>	Gross margin synergies: Estimated total of CHF 35 million p.a. Starting in 2015 with full impact from 2016 onwards.
<b>EBITDA<sup>(1)</sup></b>	<b>511</b>	<b>14.3%</b>	<b>131</b>	<b>6.3%</b>	Operational expenses: Estimated synergies of CHF 35 million p.a. in addition to gross margin synergies. Starting in 2015 with full impact from 2016 onwards.
Depreciation and amortisation	(193)	(5.4%)			
Other operational results	(37) <sup>(2)</sup>	(1.0%)			EBITDA Impact of Australian concessions amounts to CHF -25 million on FY2013 basis. Key concession to expire in the next 12 months.
<b>EBIT</b>	<b>281</b>	<b>7.9%</b>			Amortisation: Estimated CHF 70-90 million. PPA to be done to confirm value.
Financial results	(100) <sup>(3)</sup>	(2.8%)			Other operational result: Estimated CHF 30 million of restructuring costs allocated to 2014 and 2015. Estimated transaction costs of CHF 25-35m.
<b>EBT</b>	<b>181</b>	<b>5.1%</b>			Additional interest expense: Estimated CHF 35-45 million for combined group. Estimated non-recurring interest expense of CHF 20-25 million in 2014.
Income tax	(33)	(0.9%)			
<b>Net Earnings</b>	<b>148</b>	<b>4.1%</b>			
Minorities	(55)	(1.5%)			Nuance minorities FY13: CHF 14 million; to be further reduced through buyout of selected Nuance minorities.
<b>Net Earnings to equity holders</b>	<b>93<sup>(4)</sup></b>	<b>2.6%</b>			

(1) Before other operational result.

(2) Most of the other operational results in FY2013 resulted from the acquisition of HDFS as well as start-up and project costs for new operations.

(3) Includes additional debt financing and non-recurring financing costs both in relation to the HDFS acquisition.

(4) Dufry pro forma net earnings to equity holders in FY2013 incl. 100% of HDFS amounts to CHF 120m.

## 6. Conclusion

## Deal rationale

- 1 Attractive synergy potential at Nuance: gross margin and cost synergies**
  - Dufry synergy potential: gross margin and logistics
  
- 2 Combination of Dufry and Nuance to create the global leader in travel retail**
  - Transformational step for Dufry and travel retail industry
  
- 3 EPS accretive transaction**
  - Robust Cash EPS accretion in 2015
  - Double-digit Cash EPS accretion in 2016 and thereafter

