

# Dufry Day

# 2015

D U F R Y

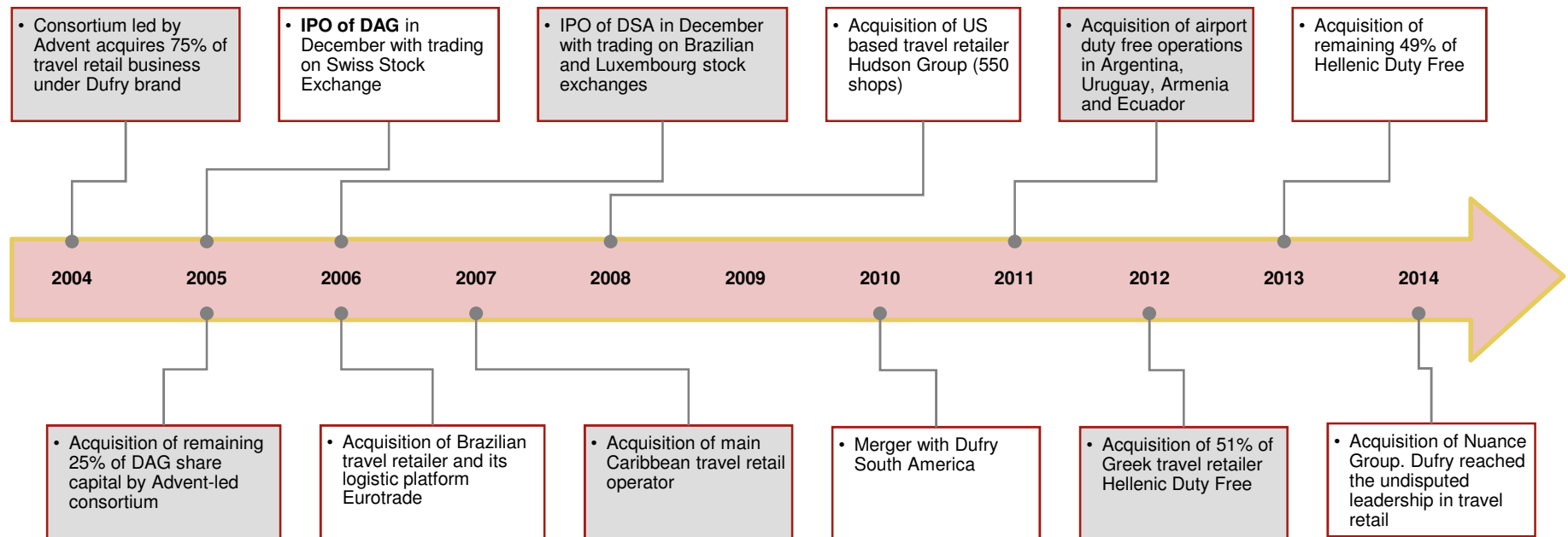
## Introduction

## Juan Carlos Torres – Chairman

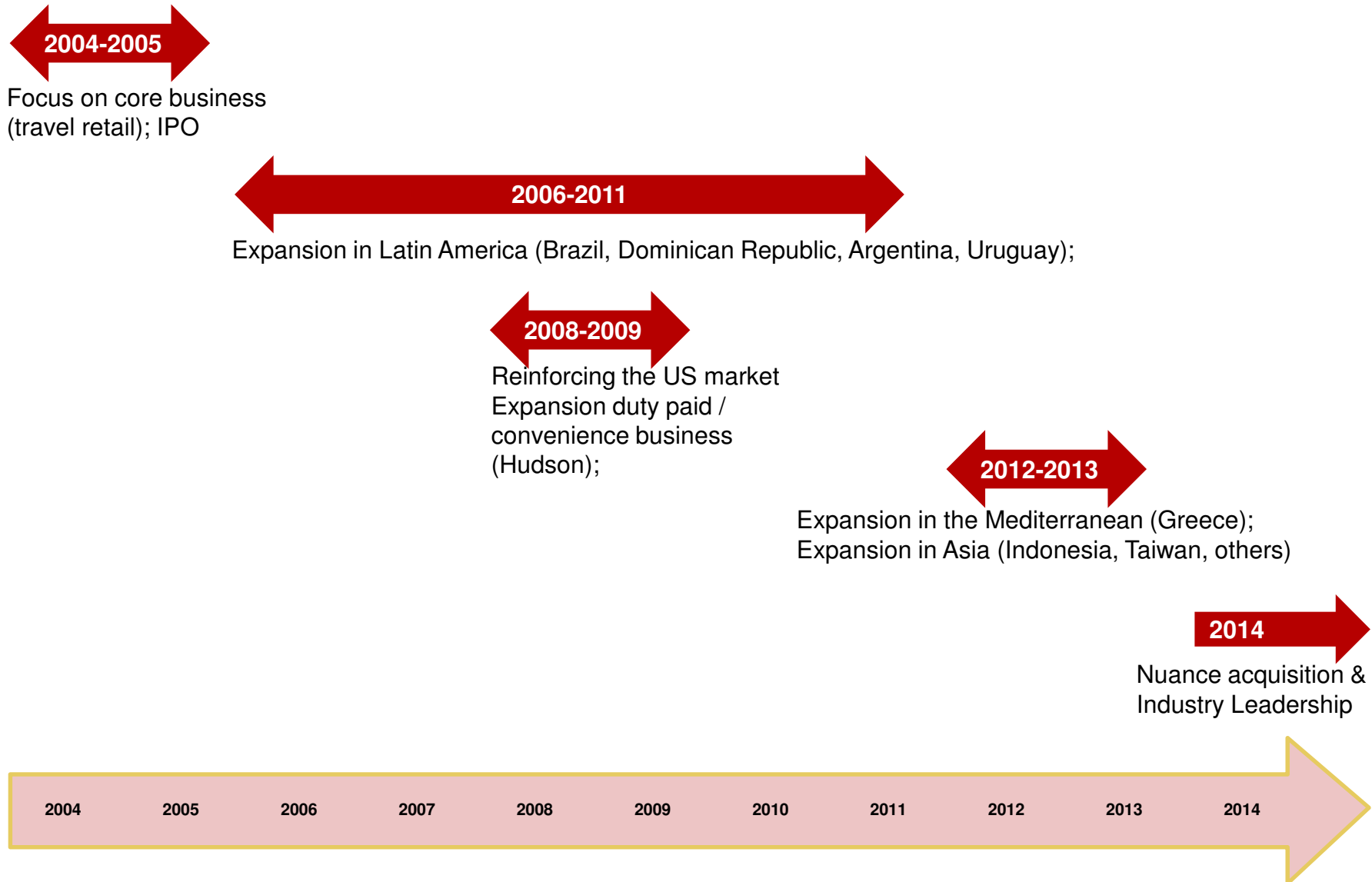
PRESENTATION

January 2015

# Overview of Dufry's Growth Milestones

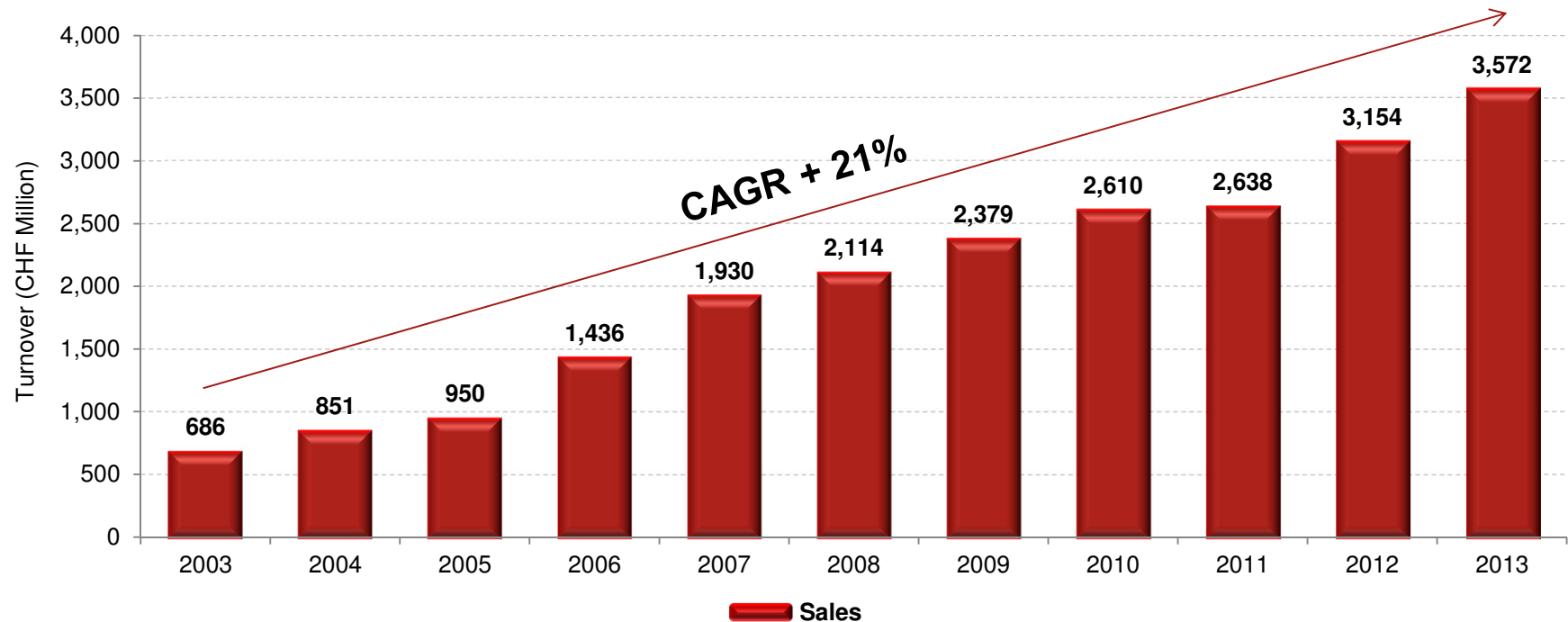


# Important steps of global expansion



# Strong execution of growth strategy

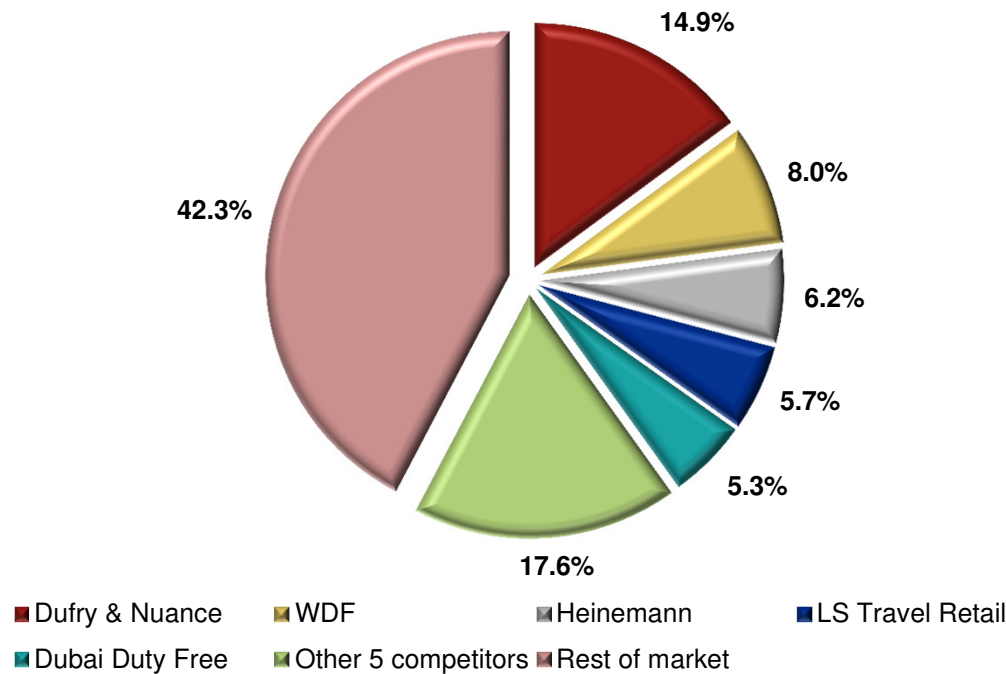
## Historic development full year sales 2013 – 2014



- The consistent execution of our growth strategy shows a constant yearly increase of turnover, which will culminate with the integration of Nuance
- The Nuance acquisition marks a milestone of the retail industry



# Dufry is now the industry's market leader



- 15% market share in airport retail
- Nearly twice as big as next immediate competitor
- Dufry multiplied its market share by more than 3 times in travel retail in 10 years.

# Sustained 5-year growth trend of share-price

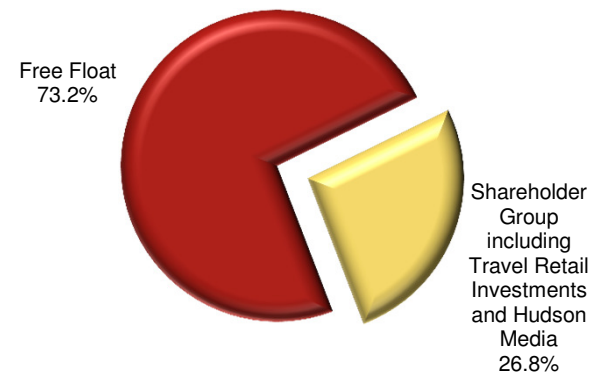
- Growth strategy shows long-term appreciation by stock market
- Focus on growing the company maximizes increase of total shareholder return

## Historic share price development 2005 – 2014



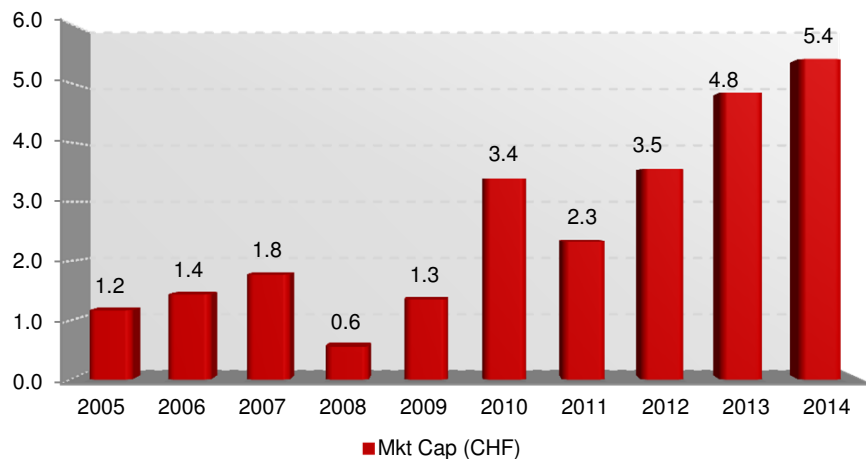
- Strong shareholder Group sustaining further company growth
- High free float levels secure good tradability of Dufry shares

## Shareholder structure

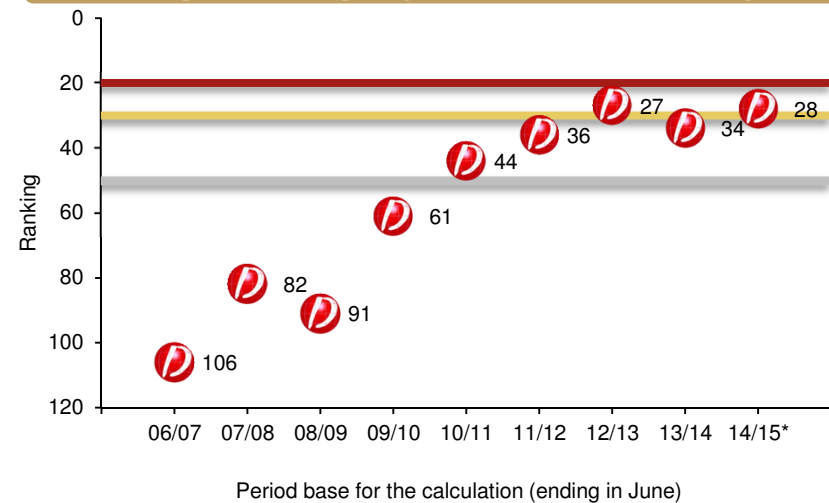


# Market Capitalization

## Market Capitalization 2005 – 2014



## Important player in SIX ranking



- Constantly growing market capitalization places Dufry among the 28 largest companies at the Swiss Stock Exchange
- Dufry's current ranking represents a threshold position to access the SLI (Swiss Leader Index) and to enter the index in the next period

- Dufry will **continue its successful growth strategy** consisting of organic growth and acquisitions
- The **fundamental key growth drivers remain positive** and support Dufry's strategy
- Dufry will **continue to grow its market share** by further penetrating potentials by growing like-for-like, with new concessions and through acquisitions
- In our growth activities we **keep focussing on profitability** and thus **create additional total shareholder value**
- In 2015, **Dufry celebrates its 150<sup>st</sup> anniversary** since the incorporation of the Weitnauer AG in 1865 in Basel Switzerland



D U F R Y

**Thank you!**

# Dufry Day

# 2015

D U F R Y

## General Overview and strategy

## Julían Díaz – CEO

PRESENTATION

January 2015

**1. Targets 2015**

**2. Strategy**

**3. Conclusion**

- 1 Nuance Integration and Synergies, Turn-around-Plan: CHF 70 million**
  
- 2 Efficiency Plan 2015-2016**
  
- 3 Brazil Plan**
  - Hudson expansion
  - Dufry shopping expansion
  - Border shops
  - Rio expansion
  - Increase of Allowance
  - Reorganization



## 4 Asia Plan

- Consolidation and Implementation of Efficiencies and opening of logistics platform in Hong Kong

## 5 Dufry Shopping International Expansion

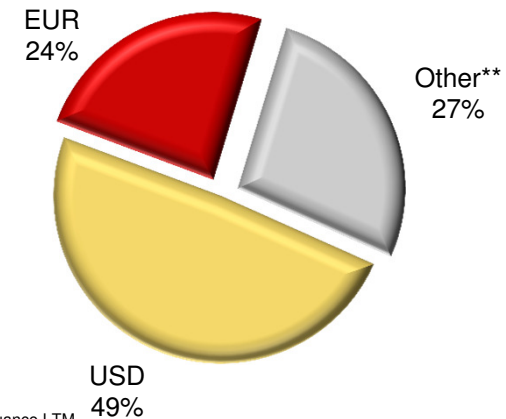
## 6 Hudson International Expansion

1. Combined organisational setup of support functions identified for Global and regional HQs
2. Implementation of reorganization synergies kicked off and progressing well in all four identified projects/regions (CH, Russia, Asia, Toronto)
3. Gross margin synergies identified and implementation of initiatives successfully initiated
4. Implementation of functional integration plans progressing according to key milestone plans and integration budgets
5. New business operating model defined

## Natural Hedge against FX impacts

- Dufry has a strong «natural hedge» against FX impacts; protecting operational margins and competitiveness
- Impact of appreciation of Swiss Franc is purely translational effect
- Dufry generates most revenues in hard currencies other than Swiss Franc
- Main cost positions and revenues are matched locally

### Turnover by Currency LTM 9M 2014 PF\*



\*\* Pro-forma including Nuance LTM  
\* Other includes CHF, SGD and other currencies

**1. Duty Paid: 2015 Expansion**

**2. Hudson**

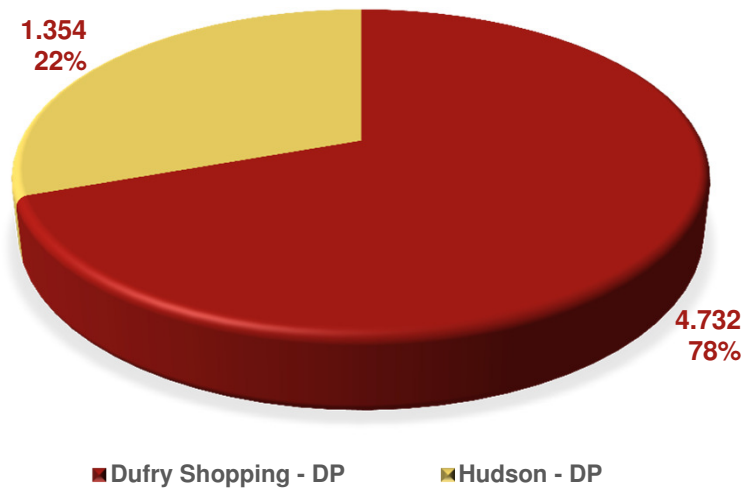
**3. Dufry Shopping**

**4. Brazil Border Shop**

**5. New Rio Galeão Expansion**

## Duty Paid: 2015 Project expansion (signed + in negotiation)

M2 DUTY PAID EXPANSION  
(SIGNED+IN NEGOTIATION)

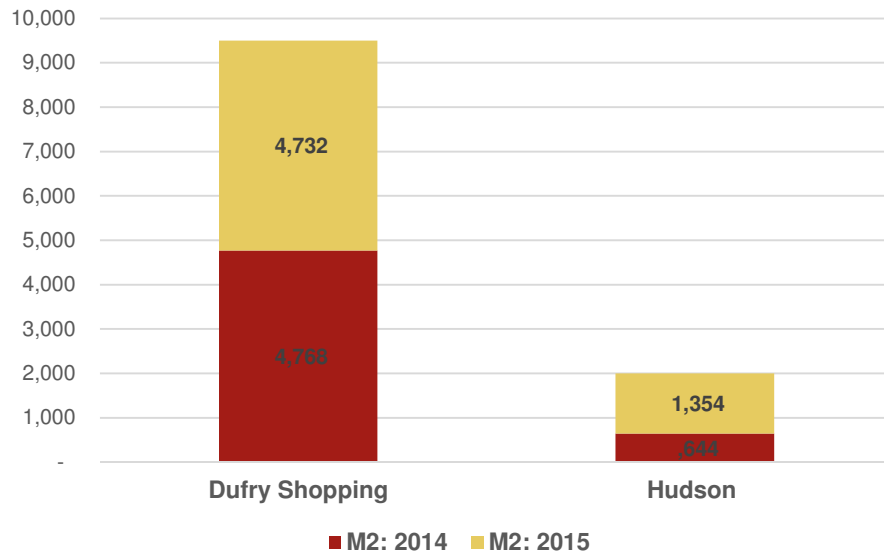


Type of Shop	M2	#of Shops	%
Dufry Shopping	4.732	23	78%
Hudson	1.354	18	22%
<b>Total</b>	<b>6.086</b>	<b>41</b>	<b>100%</b>

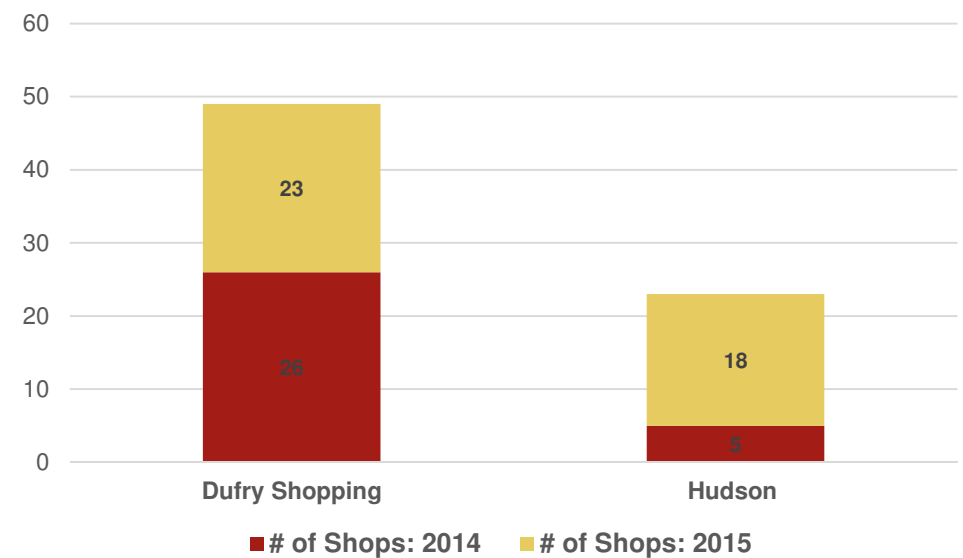
**Dufry Brazil will increase 6.086 m<sup>2</sup> and 41 new stores for Duty Paid business in 2015**

## Duty Paid: M2 and # of Shops 2014 & 2015

Dufry Shopping & Hudson M2: 2014&2015



Dufry Shopping & Hudson # of Shops: 2014&2015



**Dufry Brazil will increase 100% their M2 in Dufry Shopping shops & 210% in Hudson shops in 2015**

1. Duty Paid: 2015 Expansion

2. Hudson

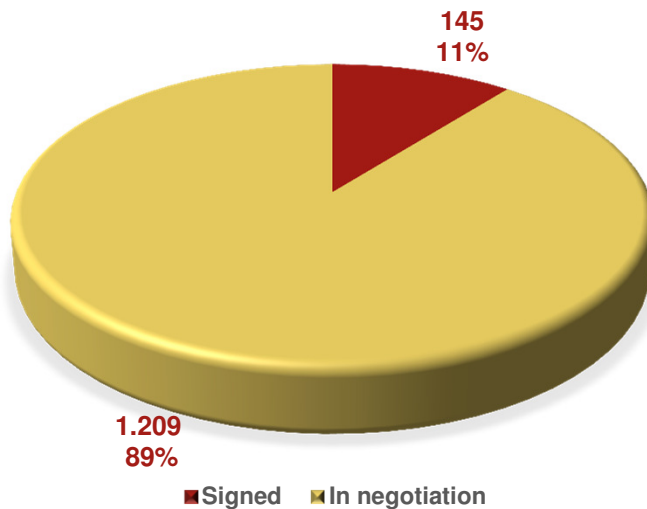
3. Dufry Shopping

4. Brazil Border Shop

5. New Rio Galeão Expansion

**Hudson: 2015 Expansion (signed + in negotiation)**

M2 HUDSON EXPANSION  
(SIGNED+IN NEGOTIATION)



Type of Shop	M2	#of Shops	Comment	%
Hudson	145	2	Signed	11%
Hudson	1.209	16	In negotiation	89%
<b>Total</b>	<b>1.354</b>	<b>18</b>		<b>100%</b>

**Dufry Brazil will consolidate the Hudson project (start in 2014 with successful sales on 5 openings) increasing 1.354 m<sup>2</sup> and 18 new Hudson shops in 2015**



1. Duty Paid: 2015 Expansion

2. Hudson

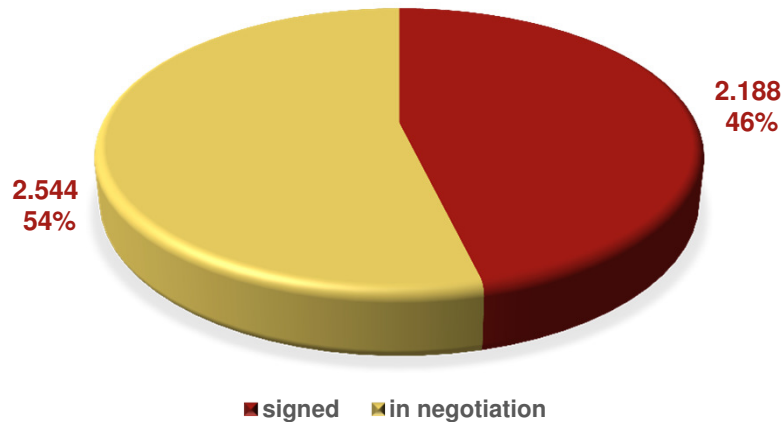
**3. Dufry Shopping**

4. Brazil Border Shop

5. New Rio Galeão Expansion

## Dufry Shopping: 2015 Expansion (signed + in negotiation)

### M2 DUFRY SHOPPING EXPANSION (SIGNED&IN NEGOTIATION)



Type of Shop	M2	#of Shops	Comment	%
Dufry Shopping	2.188	12	Signed	46%
Dufry Shopping	2.544	11	In negotiation	54%
<b>Total</b>	<b>4.732</b>	<b>23</b>		<b>100%</b>

**Dufry Brazil will increase 4.732 m<sup>2</sup> and 23 new Dufry Shopping shops in 2015**

1. Duty Paid: 2015 Expansion

2. Hudson

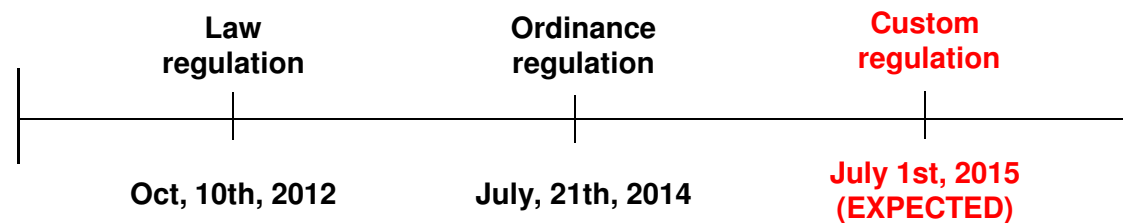
3. Dufry Shopping

**4. Brazil Border Shop**

5. New Rio Galeão Expansion

## Brazil Border Shop: Legal regulation schedule

- Since the last ordinance regulation held on July 21st, 2014 either the municipalities as well as the market players are waiting further regulations from the Brazilian customs which is expected to be deliberated on July 1st, 2015.



- Dufry has created a combined team to be operational on February 2015 in order to define and draw the border shop business model and the operations to start acting as soon as the custom's regulation becomes available.

**1. Duty Paid: 2015 Expansion**

**2. Hudson**

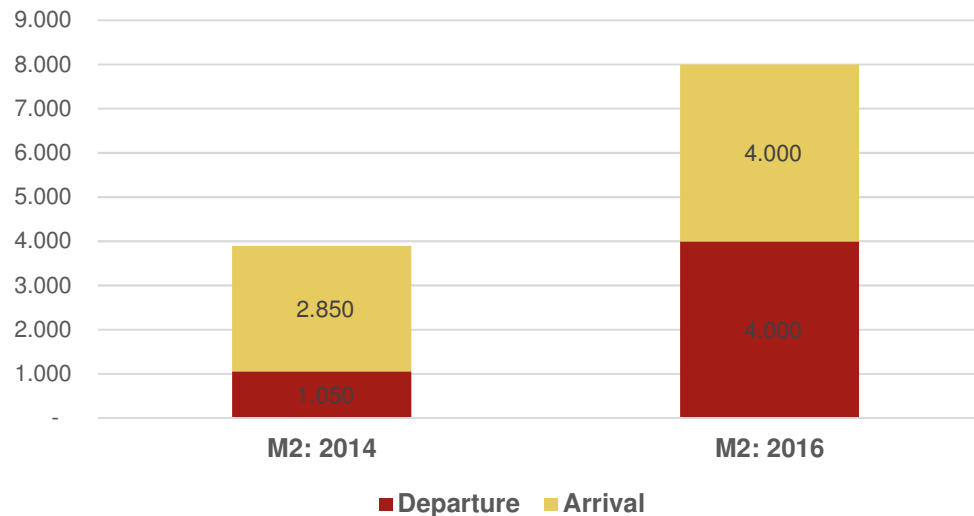
**3. Dufry Shopping**

**4. Brazil Border Shop**

**5. New Rio Galeão Expansion**

## Dufry in the New Rio Galeão 2016

DUTY FREE GALEÃO: M2 2014 E 2016



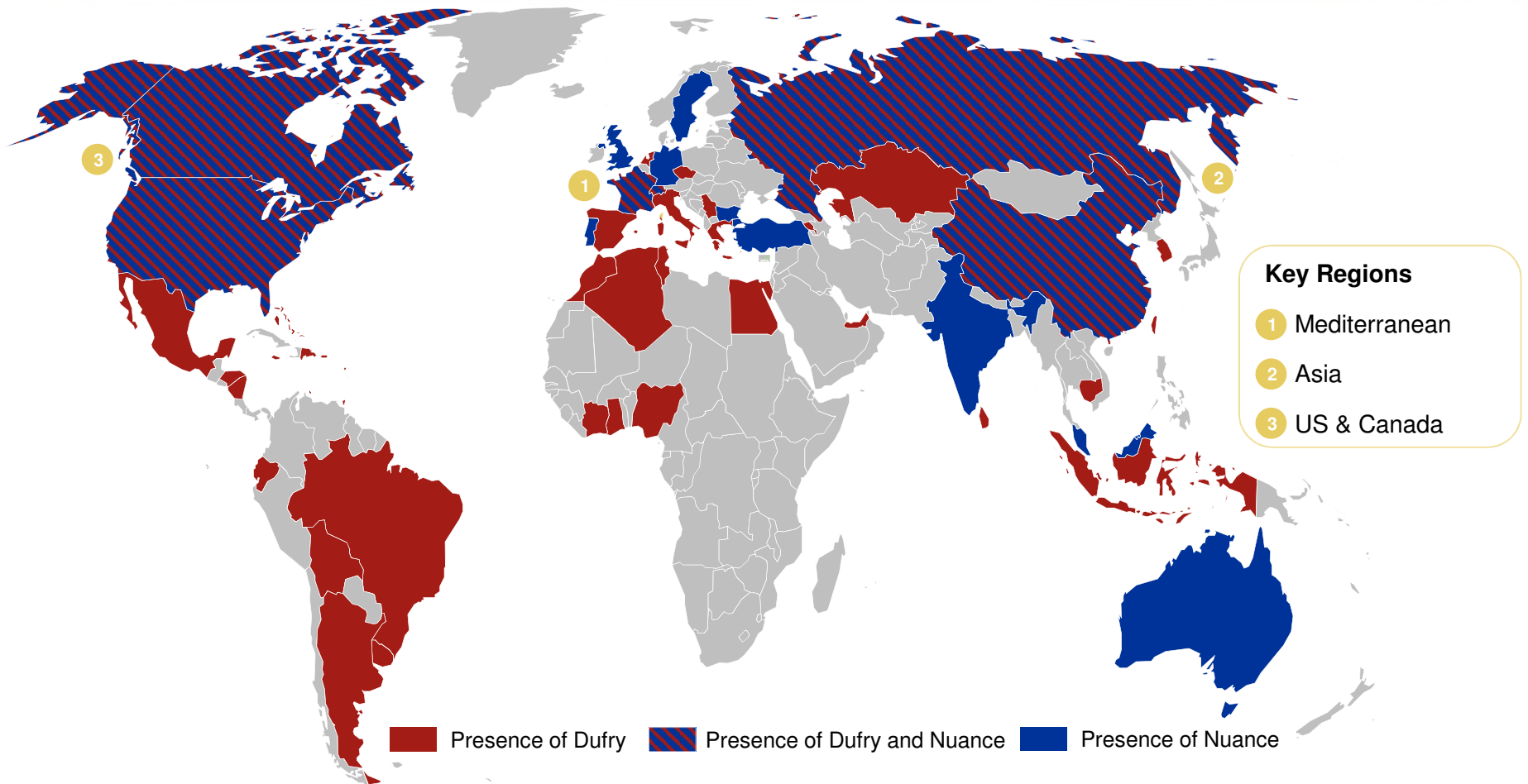
- Dufry has signed a 5 years' contract with New Rio Galeão starting on March, 15th granting a total of 8.000M2 for Dufry Free business representing an increase of 205% M2 in comparison to 2014.

**1. Targets 2015**

**2. Strategy**

**3. Conclusion**

# True global player with strong local footprint

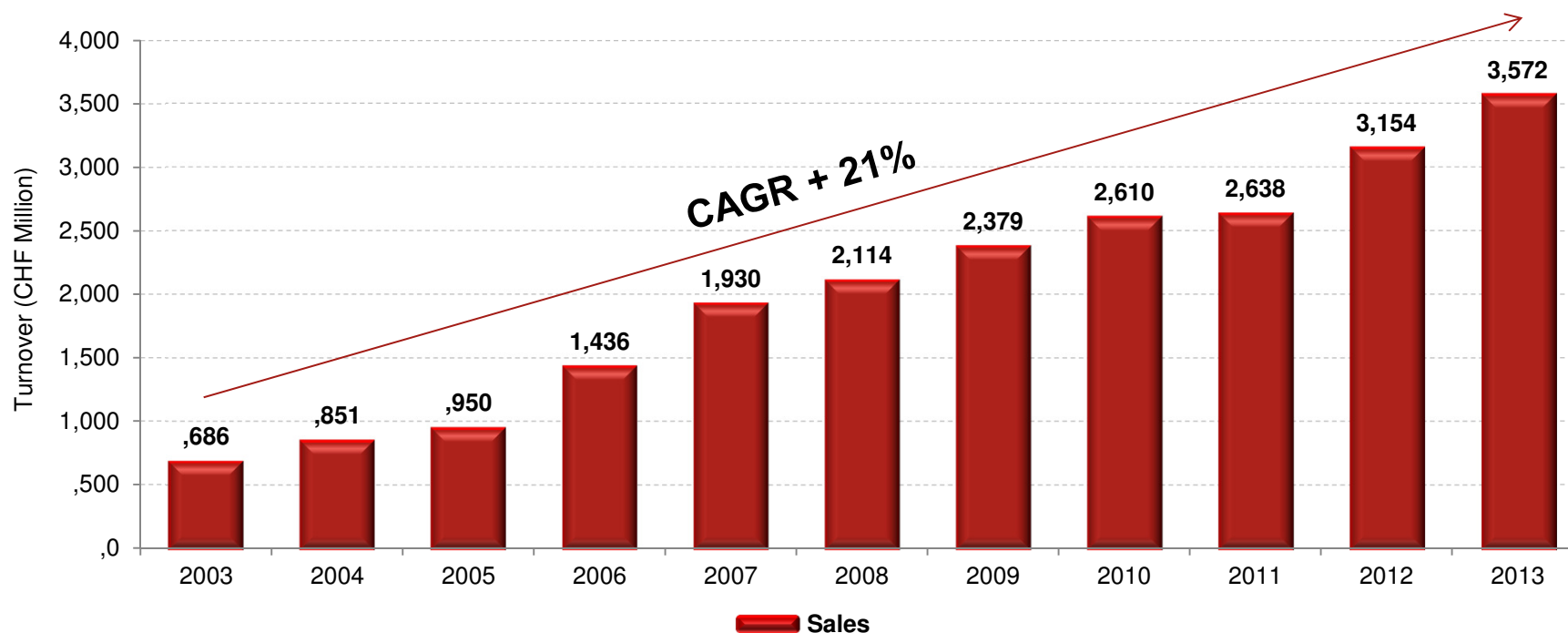


- Broad diversification of concession portfolio
- Nuance acquisition added new countries and operations with strong fit with Dufry's key areas



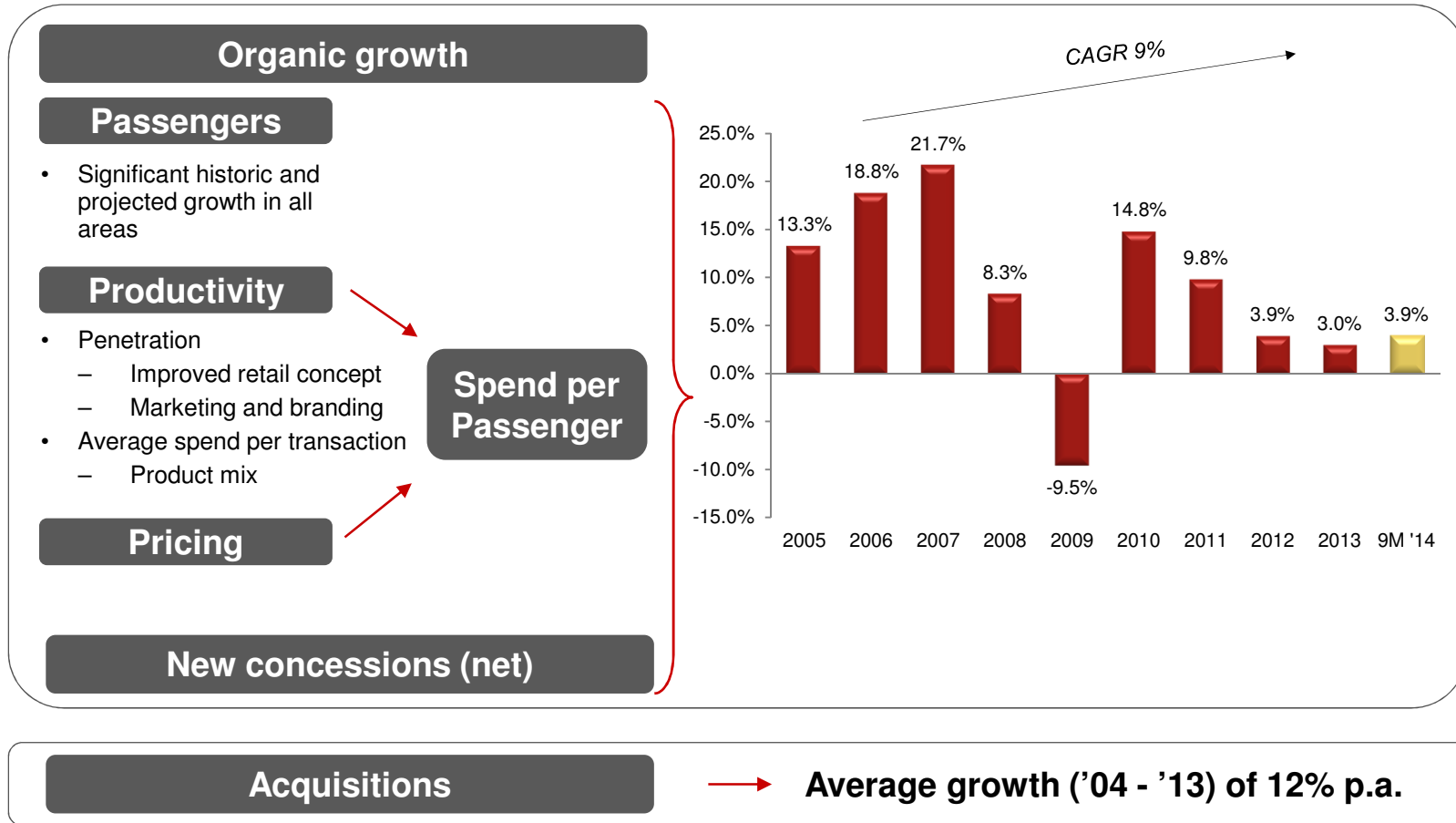
# Strong execution of growth strategy

## Historic development full year sales 2013 – 2014



- The consistent execution of our growth strategy shows a constant yearly increase of turnover, which will culminate with the integration of Nuance
- The Nuance acquisition marks a milestone of the retail industry

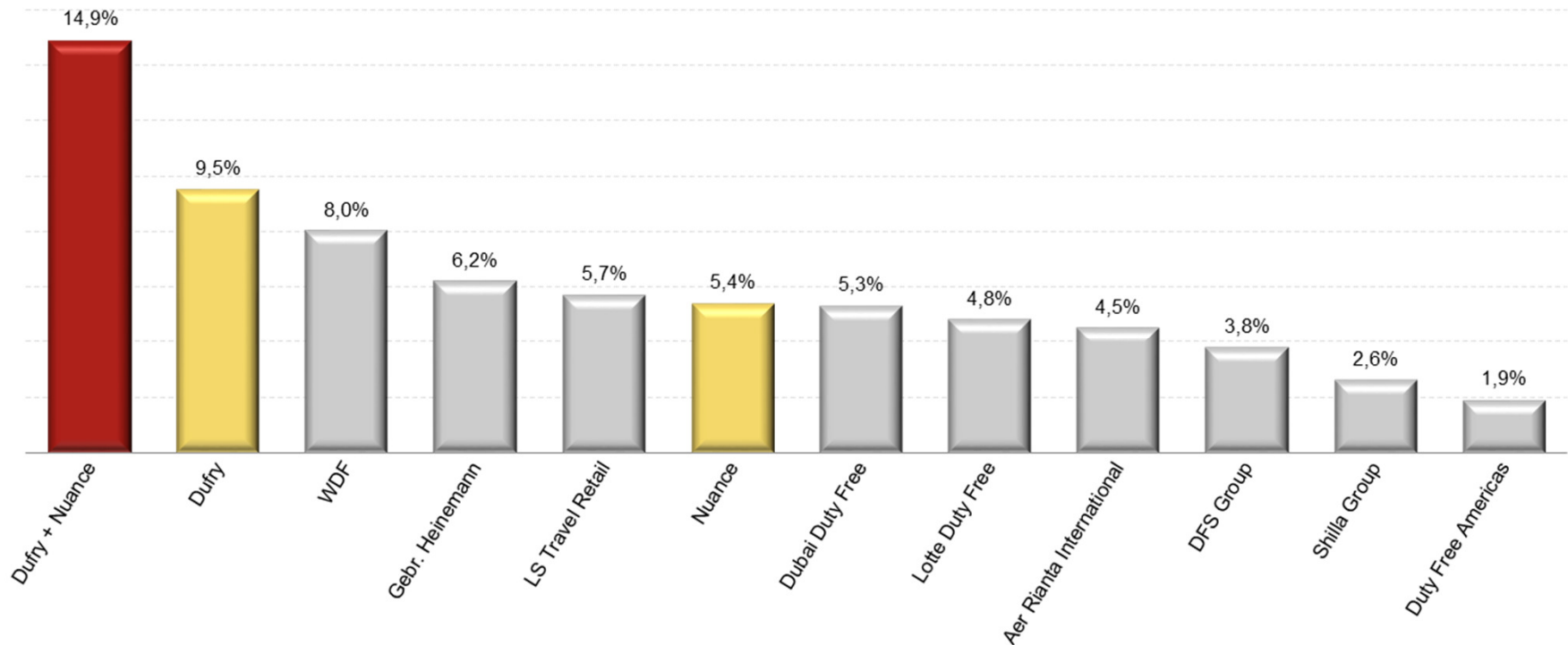
# Focus on profitable growth



**TOP-LINE GROWTH ('04 - '13): 21% p.a. (1)**

# Travel retail market leader

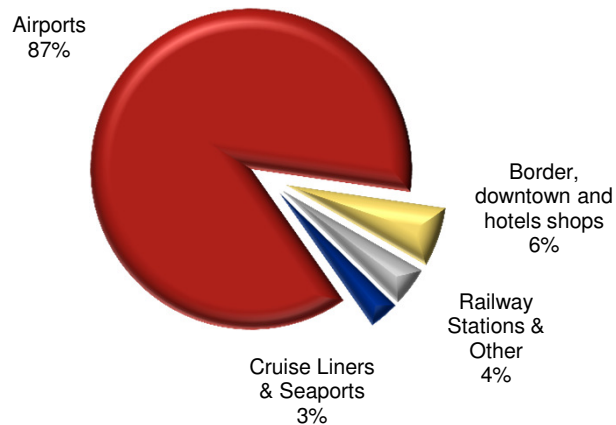
## Main players Airport Retail Industry



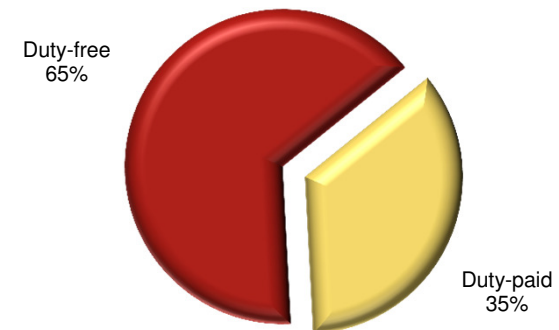
- The focused execution of the current strategy over the past 10 years has made Dufry the world's leader in the travel market with a share of 15% in airport retail and 10% overall

# Airports: dominant channel in duty-free & duty-paid

Dufry by Channel 9M 2014



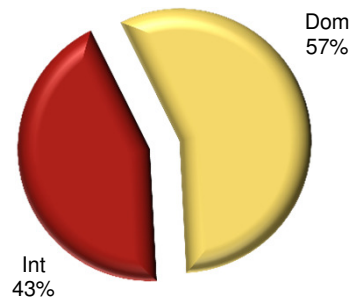
Dufry by Sector 9M 2014



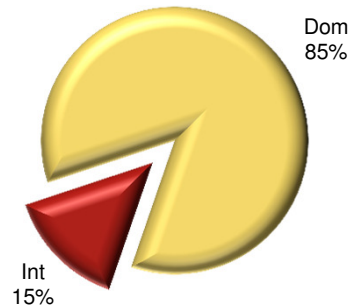
- Airports are today the main channel for Dufry
- Current turnover is generated from 65% duty free and 35% duty paid
- Duty paid sector has huge growth potential in all regions

# Further growth with domestic and international PAX

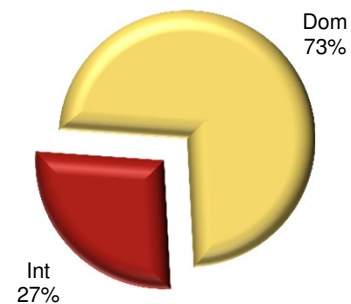
PAX split World



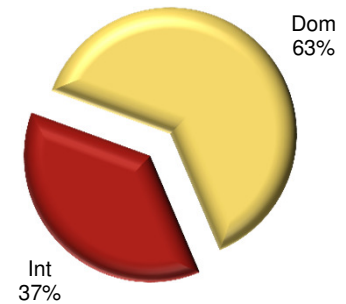
PAX split North America



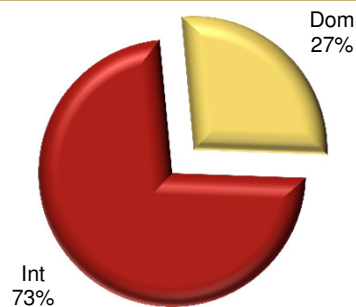
PAX split Latin America



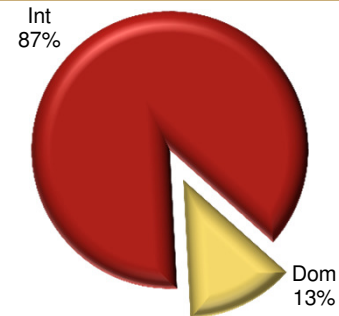
PAX split Asia



PAX split Europe



PAX split Middle East



- **High potential of domestic passenger numbers** allow to further expand successful duty paid shop concepts around the world
- Also the **duty free** business can be **expanded in key regions**

## «Duty Free» business model

- Dufry has been developing during the last ten years a business model for Duty Free based on **standard** practices along with necessary **flexibility**
- This business model allows Dufry to achieve three main goals:
  - Ⓐ Deliver constant and strong organic growth
  - Ⓑ Maximize synergies derived from M&A activity
  - Ⓒ Facilitate the rapid integration of acquired companies
- Customer typically ask for:
  - The best international brands
  - Reasonable prices
  - Promotions / New products
- **The Duty Free business model has additional growth potential**

## «Duty Paid» business model

- Duty Paid is a vast and relatively **unexplored market with huge growth potential**
- **Wide-spread opportunities in domestic markets** in many of the countries/airports where Dufry is currently present and **can serve as “door opener” for new concessions**
- **High level of synergies** with our Duty Free business
  - Leverage on structural costs locally and at HQ
  - Logistics and local organization
  - Increase attractiveness for global brands through global reach
- **Increasing duty paid share** of business **allows to benefit from domestic PAX** and thus to **better balance sales generation**
- **Dufry already has local and international experience** with duty paid concepts, such as « **Hudson International** » and « **Dufry Shopping** »

## «Duty Paid»: Hudson International concept

- Hudson is a **convenience concept** well consolidated in the US and **already introduced on an international level**; currently 71 shops operated in 12 countries outside the US
- Further organic **expansion of the Hudson International** concept will **focus on markets with high domestic PAX** numbers
- In addition, this concept could also benefit from M&A activities



Dufry Day 2015  
Example Hudson:  
Philadelphia and JFK airports

Philadelphia



JFK



Philadelphia



JFK

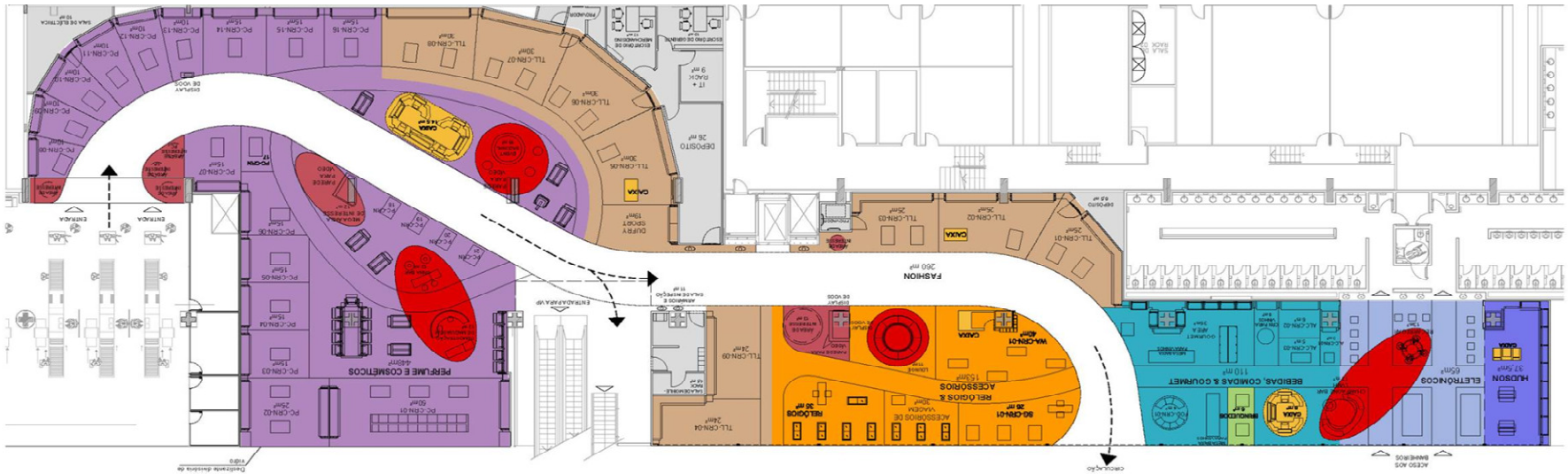


## «Duty Paid»: Dufry Shopping concept

- The **Dufry Shopping** is a replication of the duty free model for domestic passengers, taking as a base the current model implemented in Brazil, allowing the brands the possibility to showcase their full range of products to key customers (passengers)
- This model **could be implemented in almost all the airports where Dufry is present** with other concepts.
- **Results in Brazil**, where Dufry Shopping has 26 stores open at the end of October 2014, are **showing considerable growth on 2013 results**.



# Dufry Day 2015 Example Dufry Shopping: From layout to final Megastore in Brasilia



# Common growth drivers «Duty Free» & «Duty Paid»

## Organic Growth

- World-wide passenger (PAX) evolution
- New concessions
- Enlargement of existing retail space
- Store renovations
- Promotional events
- New products and brand partnerships
- Category management
- Operational improvements
- Procurement platform

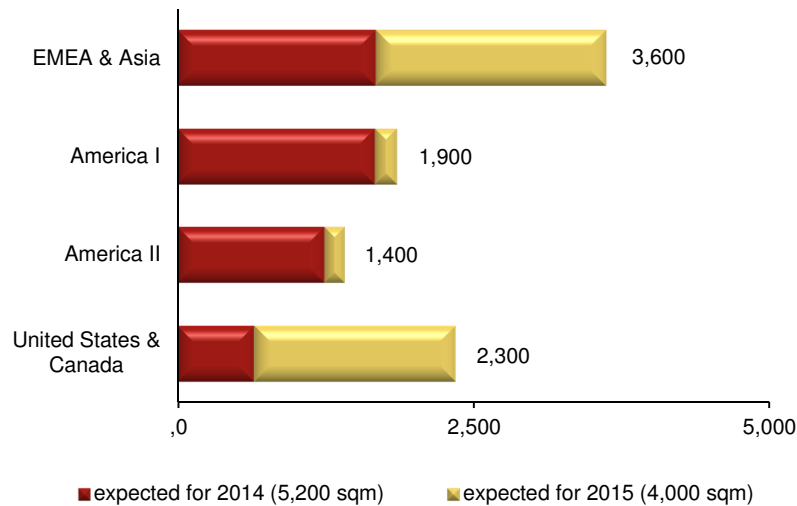
## M&A

- Dufry will continue to drive industry consolidation
- Still potential targets in the market
- Applicable to all sectors & businesses

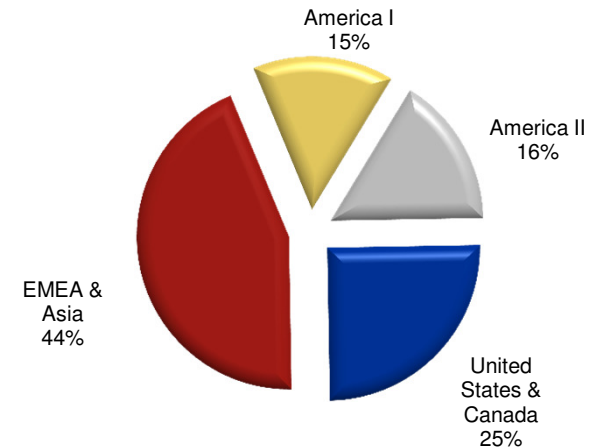
# Current expansion pipeline

- Current expansion pipeline features signed retail space expected to be opened in 2015; it includes duty free and duty paid
- Further projects with a potential retail space of 37'000 sqm are currently being examined

## Signed Retail Space: 9,200sqm



## Project Pipeline: 37,000 sqm



**1. Targets 2015**

**2. Strategy**

**3. Conclusion**

- Update on Dufry's Investment Case : Fundamentals unchanged
- Nuance Integration is on track (delivery of synergies, organization)
- Business Model continues to be robust
- Natural hedged versus main international currencies. No impact in margins and pure translation effect in reporting
- The medium term growth outlook perspective is positive due to: Implementations of efficiencies, organic growth and the still fragmented travel retail market and possible acquisitions



D U F R Y

**Thank you!**



# Dufry Day

# 2015

D U F R Y

## ASIA EXPANSION

### Xavier Rossinyol–

### Chief operating officer EMEAA

PRESENTATION

January 2015

**1. EMEAA Overview**

**2. Market analysis**

**2.1. Analysis per key geographies**

**3. Alternative DF channels**

**4. Conclusion**

# 1. EMEAA Overview

## EUROPE

Operation: Countries 7, Airports 42,  
Number of shops 202, Retail Surface  
40'828 m2

## AFRICA

Operation: Countries 9, Airports  
22, Number of shops 60, Retail  
Surface 2'536 m2

## MIDDLE EAST AND INDIA

Operation: Countries 3, Airports 4,  
Number of shops 27, Retail  
Surface 5'564 m2

## RUSSIA, CIS and Eastern Europe

Operation Countries 4, Airports 9,  
Number of shops 61, Retail Surface  
12'788 m2

## ASIA PACIFIC

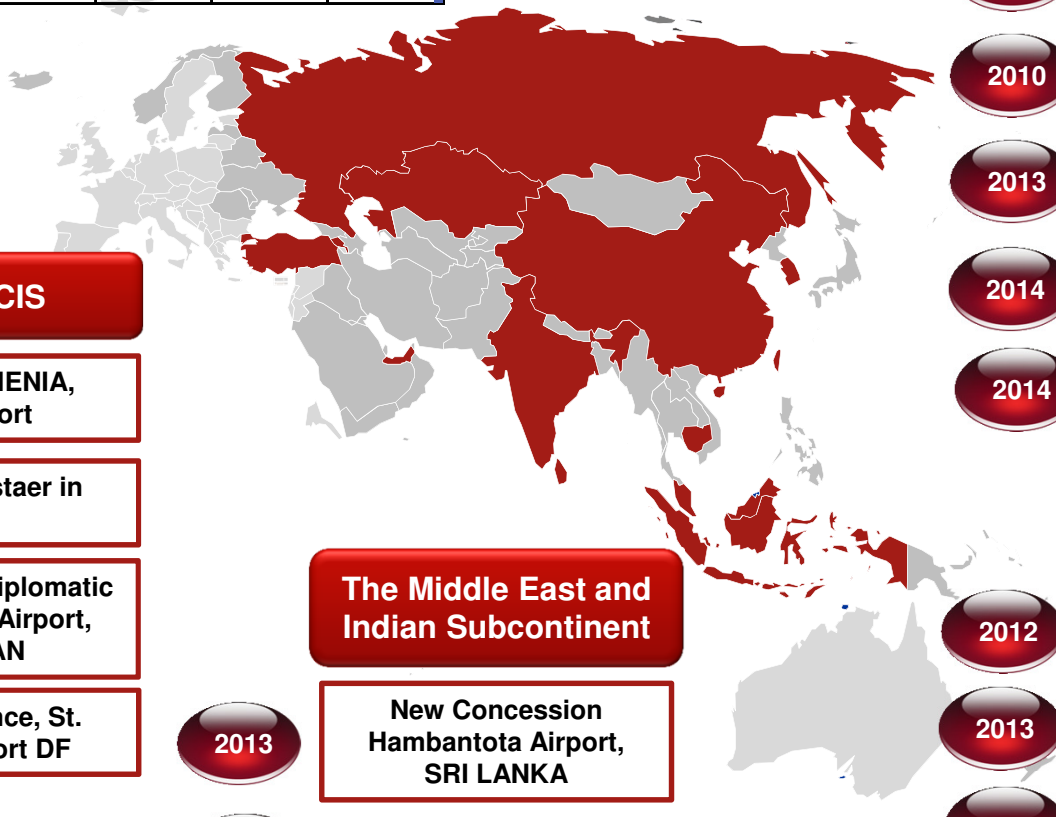
Operation 2014: Countries 7,  
Airports 9, Number of shops 64,  
Retail Surface 16'686 m2

## REGION 1 TOTAL

Operation 2014: Countries 30, Airports 86,  
Number of shops 437, Retail Surface 87'666 m2

Turnover 2014: CHF 1,190.6 million,  
EBITDA 2014: CHF 229.1 million

Region 1	2010	2011	2012	2013	2014
Retail Surface (sqm)	38,786	43,852	45,604	63,835	87,666
Countries	19	20	22	24	30
Airports	47	49	48	72	86
Shops	218	222	300	405	437



## Russia and CIS

2011

Acquisition ARMENIA,  
Yerevan Airport

2012

Acquisition Regstaer in  
RUSSIA

2013

New concession: Diplomatic  
shop and Astana Airport,  
KAZAKHSTAN

2014

Acquisition Nuance, St.  
Petersburg airport DF

## The Middle East and Indian Subcontinent

2013

New Concession  
Hambantota Airport,  
SRI LANKA

2014

Acquisition Nuance,  
Izmir Airport, TURKEY

2014

Acquisition  
INDIA Nuance

## North Asia

2010

Shanghai Airport, CHINA  
Entry

2010

1 new DP shop at Beijing  
Airport

2013

New Concession SOUTH  
KOREA

2014

Acquisition  
HONG KONG Nuance

2014

Acquisition  
MACAO Nuance

## South East Asia

2012

New concession: Bali  
Airport, INDONESIA

2013

New Concession  
TAIWAN

2014

Acquisition  
SINGAPORE Nuance

2014

Acquisition  
MALAYSIA Nuance

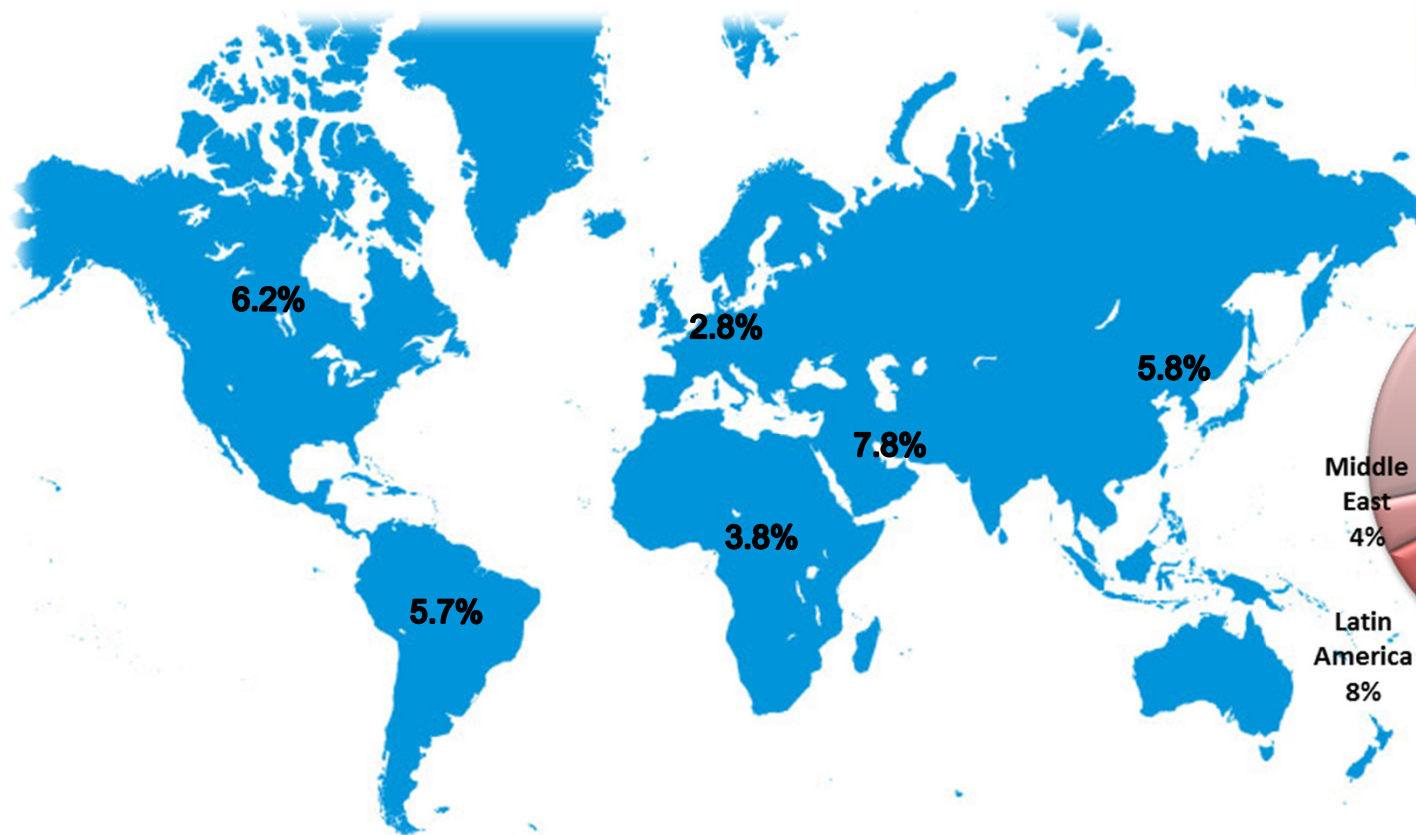
## 2. Market Analysis



# Overview: Global Passenger Traffic

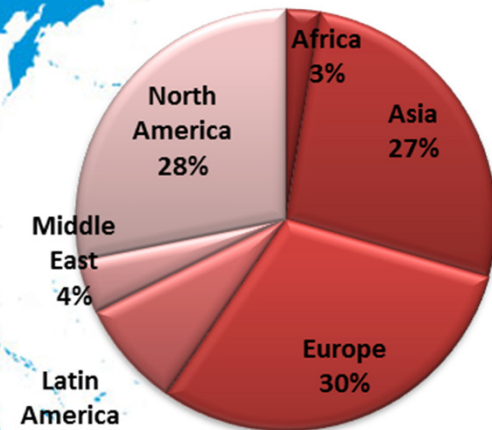
Global air traffic presented over 5 bil PAX in 2014. Total of 3.4 bil were passing through EMEAA  
Air traffic among emerging markets is outperforming developed markets. Three of the Four BRIC countries are in EMEAA.

International PAX Growth in 2015/16



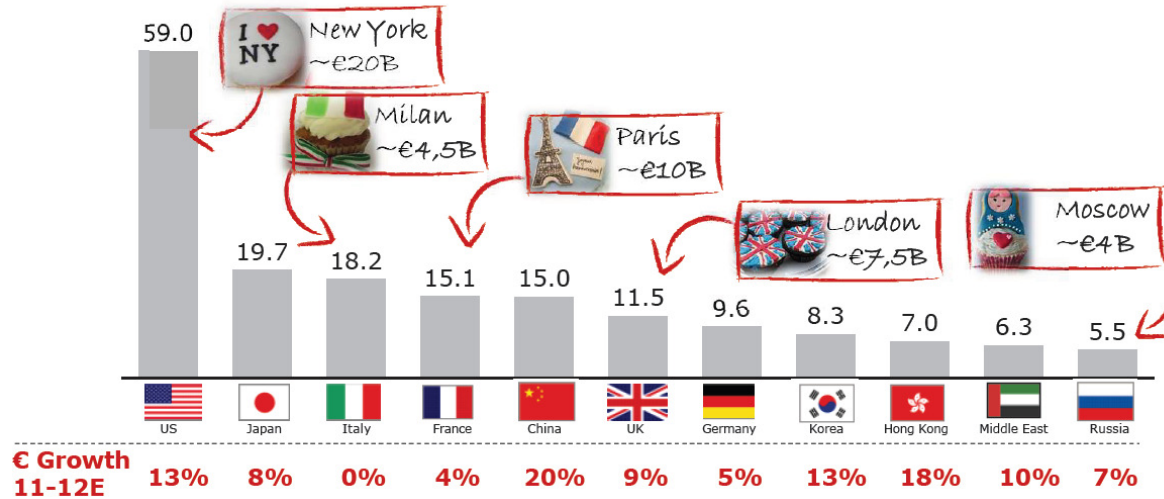
ME&ASIA counts for one-third of the global traffic.

PAX per region 2014



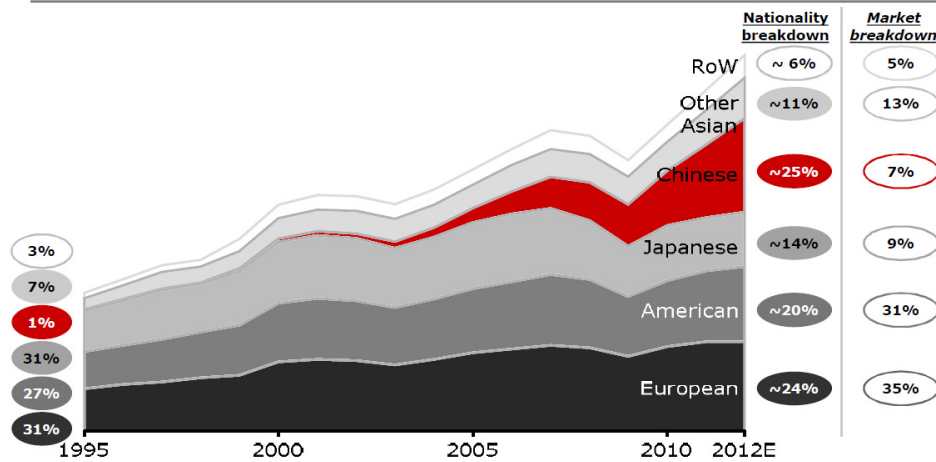
(Sources, ACI)

## PERSONAL LUXURY GOODS - RANKING BY COUNTRY (2012E, B€)



Asia remains the major growth engine in travel retail and luxury products industry.

## LUXURY GOODS MARKET BY CONSUMER NATIONALITY (1995-2012E, B€)



(Sources, Bain&Company, 2012)



Latest highlights are on MINT countries (Mexico, Indonesia, Nigeria and Turkey) with the highest growth in the last years. Two of four countries are located in EMEA region.

Unwrapped potential for growth in emerging markets, such as BRIC.



BRAZIL



INDIA



RUSSIA



SOUTHEASTASIA



CHINA

Population 2011  
% world population

**190 M** people  
2.8%

**1.2 B** people  
17.5%

**143 M** people  
**2.1%**

**560 M** people  
8.1%

**143 M** people  
**19%**

Luxury goods  
market 2012E  
% tot market

**€2.7B**  
1.3%

**€1.0B**  
0.5%

**€ 5.5B**  
**2.5%**

**€4.8B**  
2.3%

**€27.3B**  
**19%**

Expected  
growth

**15-25%** for the  
next 5 years

**20-30%** for the  
next 5 years

**7%-15%** for the  
next 5 years

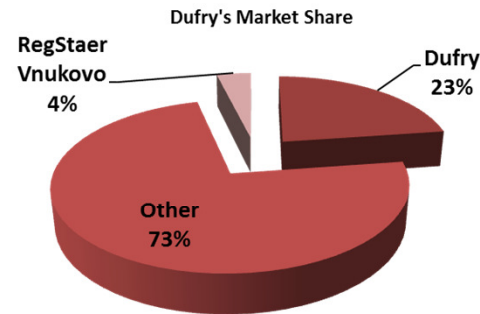
**15-25%** for the  
next 5 years

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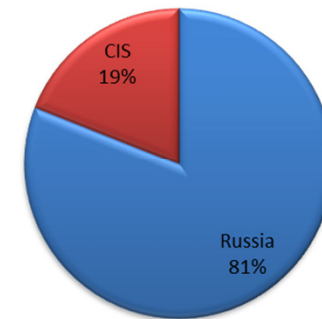
NOTE: SEA includes all countries, but China, India, Japan and South Korea

(Sources, Bain&Company, 2012)

## 2.1. Analysis per Key Geographies



Market Size per Sub-Region



**Airports PAX  
160 mil**

## Customers profile

Russian travelers are attractive and promising customers; they do not only have a propensity to spend - and the money to satisfy it but they just love to indulge and treat themselves.

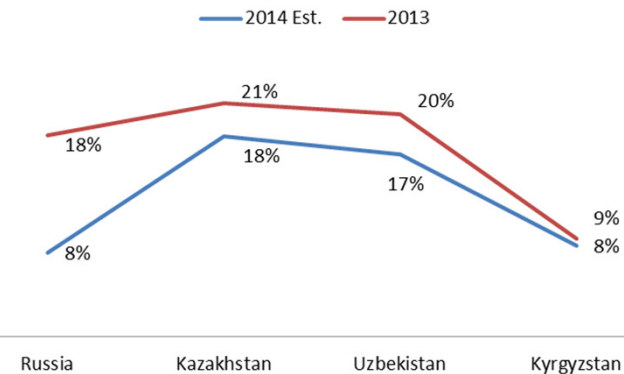
**95%** of the Russian customers shop at airport duty-free stores.

**96%** like to buy merchandise that is different from what they can get at home.

**94%** of Russian travelers bring gifts home with them.

**71%** of Russians believe that buying gifts is an 'obligation of heart', and that airport stores are the best places to shop when traveling

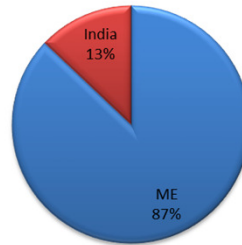
International PAX growth



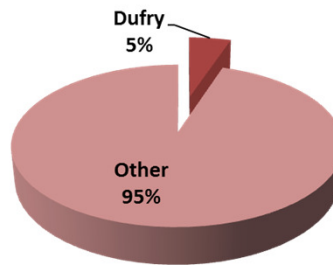
# Middle East and Indian Subcontinent



Market Size Sub-Regions



Dufry's Market Share



Migrant workers/  
Transit PAX  
from America



International  
Tourists/  
Business  
travelers/  
Transit PAX

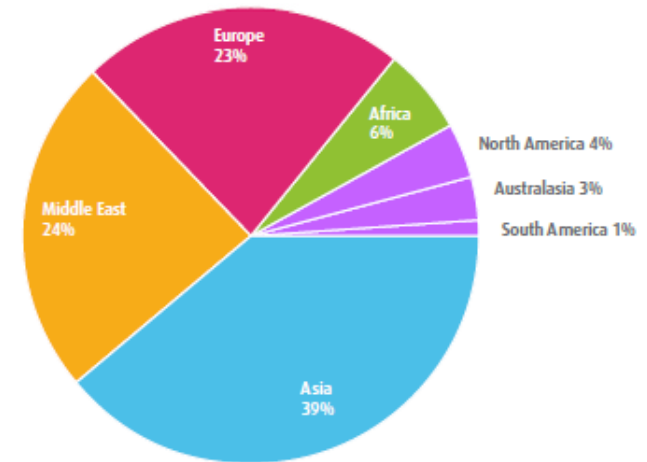


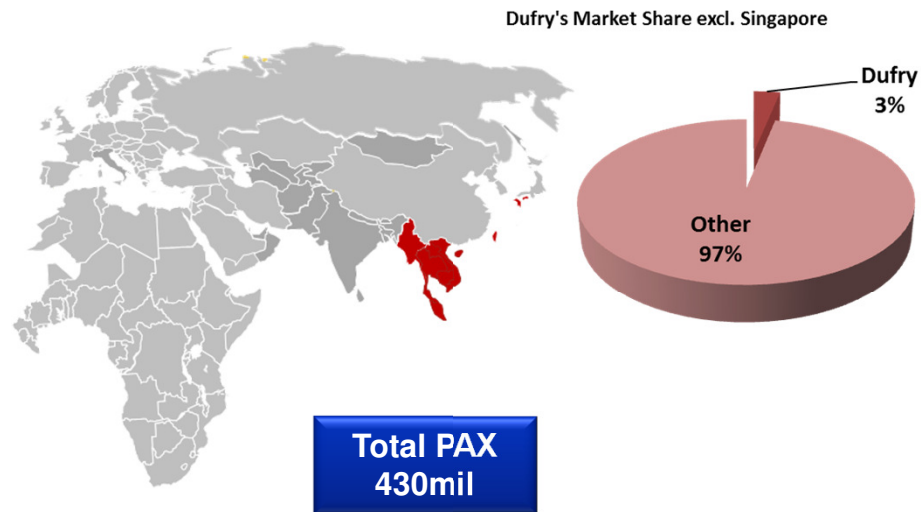
Middle East  
Travelers/  
UAE  
outbound



Airports PAX  
222 mil

The Middle Eastern airports are the main global transiting PAX hub. Fast growing ME airlines are bringing the travelers from Europe to Asia and Australia.

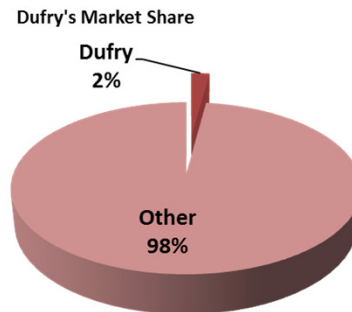
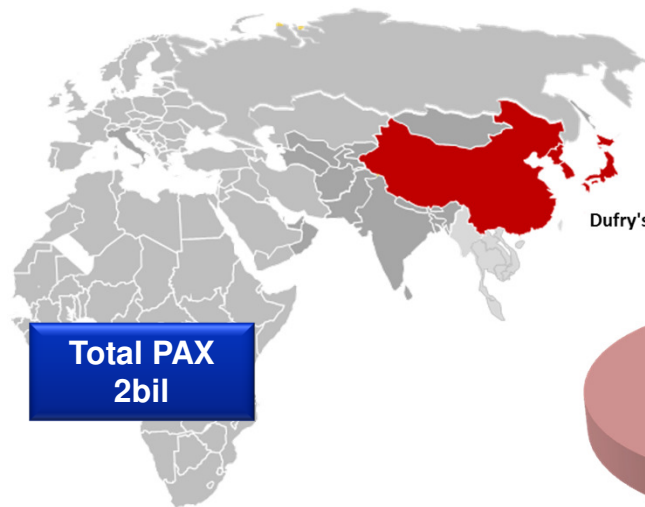




**South East Asian airports are mix between local heritage and sense of place with high end luxury shopping malls and commercially matured airports.**

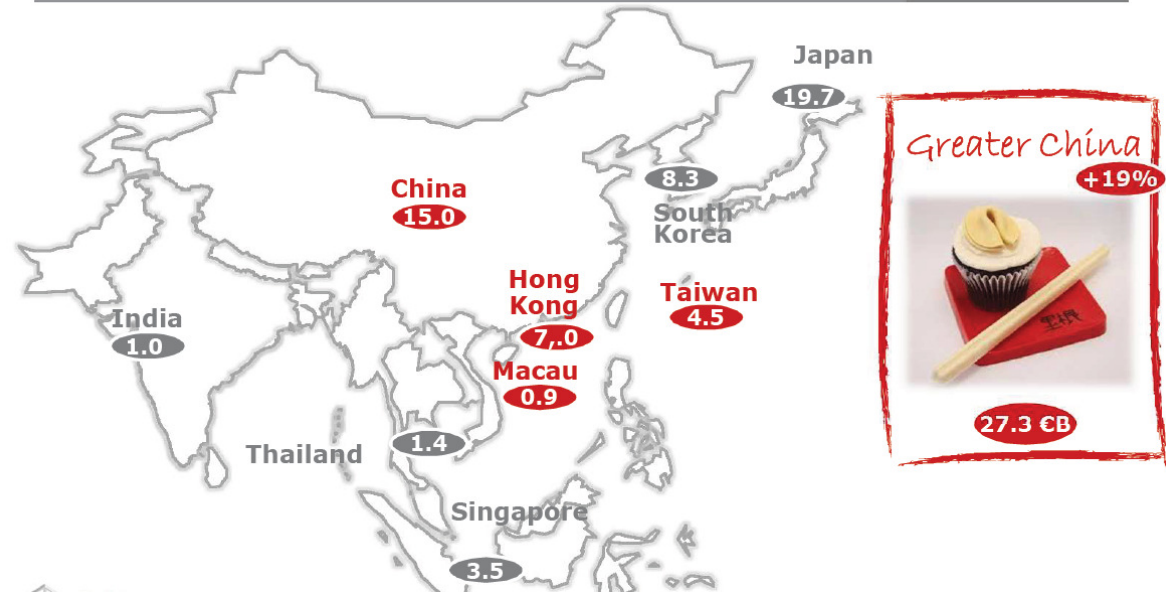
- Similar to Bali, operation in Cambodia is heavily geared towards tourists coming from **Japan, China, Korea, South East Asia and Western Europe.**
- There is fast growing passengers from **China and Russia**
- Dufry is committed to showcasing the best of local products and promoting the heritage of the markets we operate in. In Cambodia, we partner with local artisans company "Artisans Angkor".



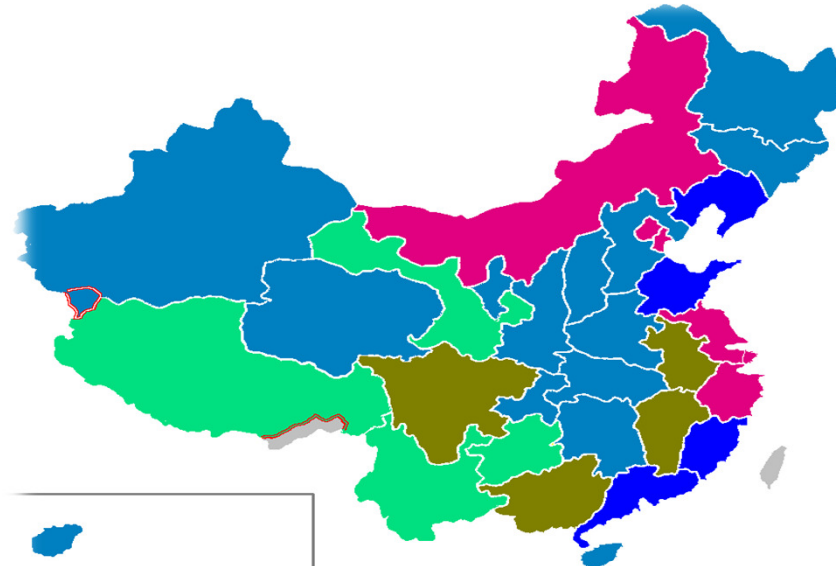
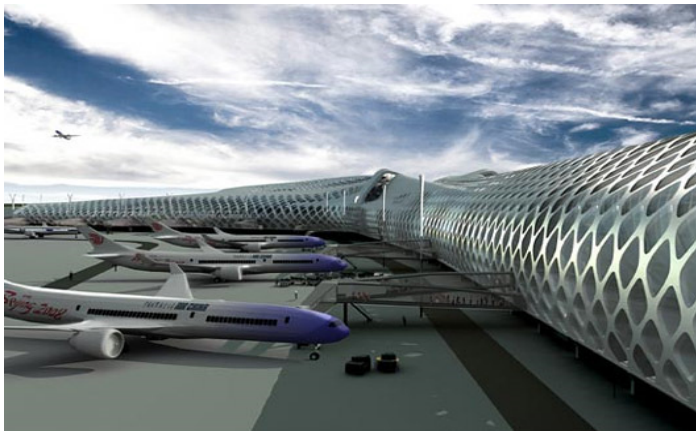
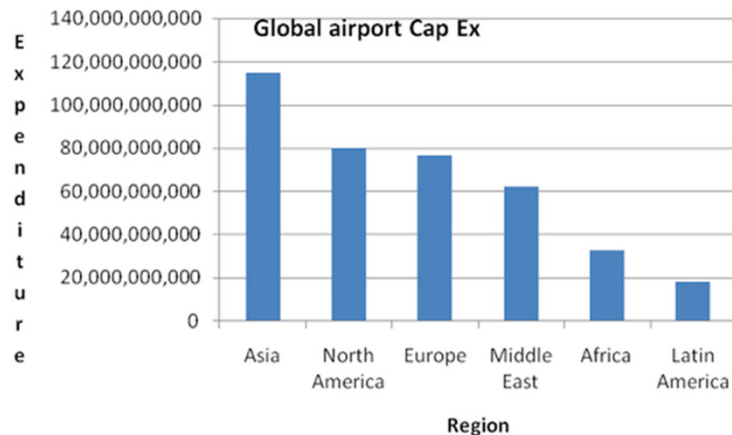


## ASIA LUXURY GOODS MARKET BY COUNTRY (2012E, €B)

- ❑ **One-in-four** global luxury consumers are now Chinese
- ❑ At €27 billion, Greater China (Mainland, Hong Kong, and Macau) has bypassed Japan as the luxury
- ❑ Sector's second market, behind the United States Chinese consumers now make **half** of the luxury purchases in all of Asia, and nearly one **third** of those in Europe



Asia has the highest global airport CAPEX expenditure . China is a leading country with 69 regional airports to be constructed by 2016, adding to existing 193.



中国省级行政区人均GDP分布图 (2012年, 仅中国大陆)  
GDP per capita by province-level divisions of Mainland China in 2012  
Based on DATA of China NBS, 2012  
average exchange rate: CN¥ 6.3125 per US\$ 1 in 2012

人民币 CNY	美元 USD
> CNY 63.1 K ;	> USD 10 k
CNY 50.5 K - 63.1 K ;	USD 8 K - 10 k
CNY 31.6 K - 50.5 K ;	USD 5 K - 8 K
CNY 25.3 K - 31.6 K ;	USD 4 K - 5 K
CNY 18.9 K - 25.3 K ;	USD 3 K - 4 K

- Further potential for DP market developments are in growing domestic market through:
1. Growing middle class in China. Currently, there is a big gap in 1<sup>st</sup> & 2<sup>nd</sup> Tier Cities in China.
  2. Exploring alternative channels. Ex. High Speed Rail Network Developing.

### 3. Alternative DF channels



## 1. Hudson International

### Increase the number of Hudson outlets internationally

- ❑ There are currently 46 Hudson shops across R1 with the potential to open approx. 400 new shop by 2020
- ❑ With the rebranded Hudson and the new international platform, Hudson is a key pillar in our expansion strategy in Asia.

Market Size 2015 Est. over USD 4,400 mil

## 2. Downtown DF Shopping

- ❑ Dufry will start our first substantial downtown duty free operation in Kinmen Island, Taiwan. Many tourist destinations in Asia are seeking quality duty free operators to operate downtown malls
- ❑ Key markets:
  - Developed markets: **Korea and Taiwan**
  - Opening markets: **Japan**
  - Prospective future markets: **China, Cambodia and Indonesia**

Market Size 2015 Est. USD 6,300 mil

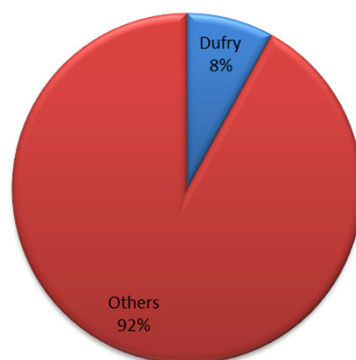


## 3. Borders DF business

- ❑ Dufry operates border crossings in Greece, 11 border crossings with 4 neighborhood countries. Dufry is sole DF operator in Greece
- ❑ Border DF business is not present in each market due to complex compliances. It's sizable business with the huge potential in Asia

Market Size 2015 Est. over USD 1,385 mil

Borders DF Business Market Share



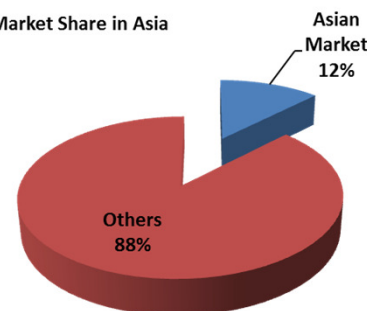
Dufry holds approx. 8% market share in EMEAA.

## 4. Cruising Lines DF

- ❑ Dufry has been operating the cruise lines and port business 2 of 3 biggest markets, Carrabin and Mediterranean, that gives a solid base for further expansion into developing Asian market.
- ❑ Currently, Asia presents 14% of the global cruise traffic, with less than 1% of the population using cruise liners vs. developed markets trends of 1.5%-3.5%

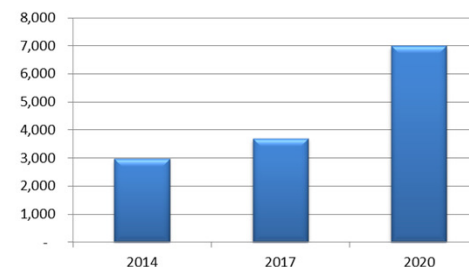
Market Size 2015 Est. USD 50-100 mil

Market Share in Asia



Asia counts for approx. 12% of world market share.

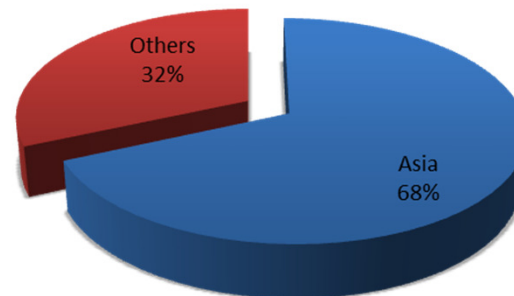
Cruise Traffic in Asia Forecast  
IN MIL



## 4. Conclusion

- ❑ Asia market presents 52% of the total EMEAA market

Asian Market Share in EMEAA Market



- ❑ Dufry will focus on developing core airport retail in the key markets

- ❑ Dufry will focus on Hudson concept expansion.

- ❑ Dufry will analyse key alternative channels, such as downtown DF, cruise lines and border shops

Potential market opportunities in Asia in next 5 years  
USD 8,672 mil.

# Dufry Day

# 2015

D U F R Y

## Downtown Travel Retail & Border Shops

## Rene Riedi – COO Latin America & Caribbean

PRESENTATION

January 2015

**1. Downtown Travel Retail**

**2. Border Shops**

# 1. Downtown Travel Retail

## MARKET DEFINITION & MARKET CHARACTERISTICS

### Market Definition

- Stores in off-airport and off-port high traffic locations where tourists (foreign visitors) can shop products free of duties and taxes.
- The main customer is of Asian origin who travels predominantly in a group.

### Scope of this Presentation

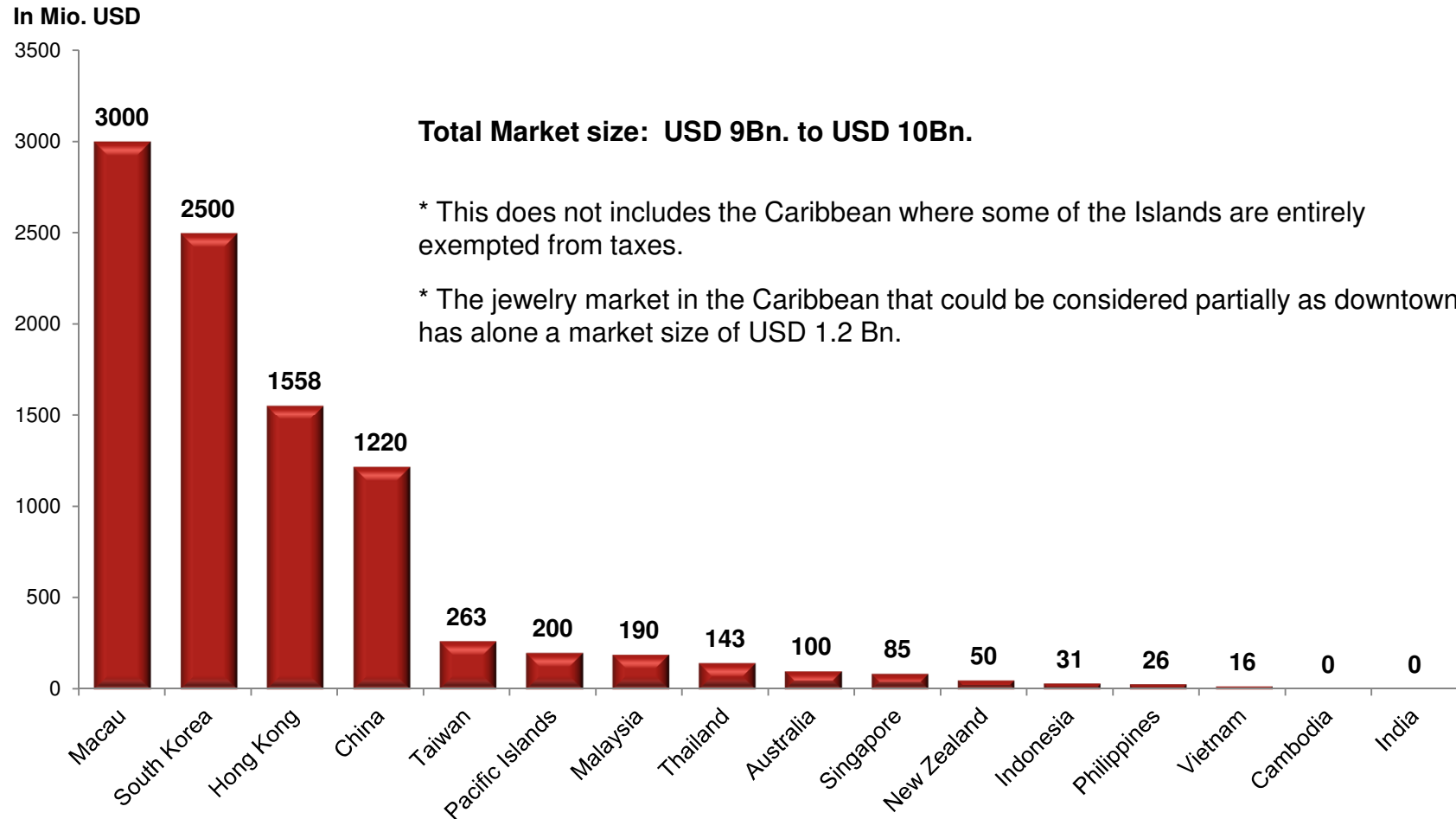
- This presentation focuses on the Asian market where downtown duty free is an institution and is operated with a few exceptions from independent developments.
- In many Caribbean islands due to lack of proper regulations there is no clear segregation between domestic retail and down town duty free.

### Basic Operating Model

- Depending on local regulations but in most cases, the shop is just a show case, meaning there is no inventory and nothing to carry away. The tourist, eligible to purchase in a downtown duty free store, selects the product, pays for it and picks it up before leaving the country at the airport.
- Tour operators often include a visit to a downtown duty free store in the tour package offered to Asian tourists.
- Taxi and bus drivers, travel agents, hotel concierges and rickshaw or tuc-tuc operators receive a commission for bringing tourists to a downtown duty free store.



## TODAY'S MARKETS AND THEIR APPROX. SIZES



Source: own est.

## TOP 4 DOWNTOWN DUTY FREE DEVELOPMENTS

	Locations	Operator	Location	Country	SQM
1	Haitang Bay International Shopping Complex	CDFG	Sanya	China	70,000
2	T Galleria Hawaii	DFS	Hawaii	U.S.	20,000
3	Lotte World Tower	Lotte	Jamsil - Seoul	South Korea	10,990
4	King Power Downtown Complex	King Power Thailand	Bangkok	Thailand	10,000

- With the latest addition in Hainan (Haitang Bay), downtown duty free establishments reach new highs in terms of size and quality
- It can be assumed that the bar will be set even higher – not in size but in terms of location and quality - when the T-Galleria store in Venice opens its doors in Summer 2016

CDFG  
Haitang Bay, Hainan



King Power Thailand  
Bangkok



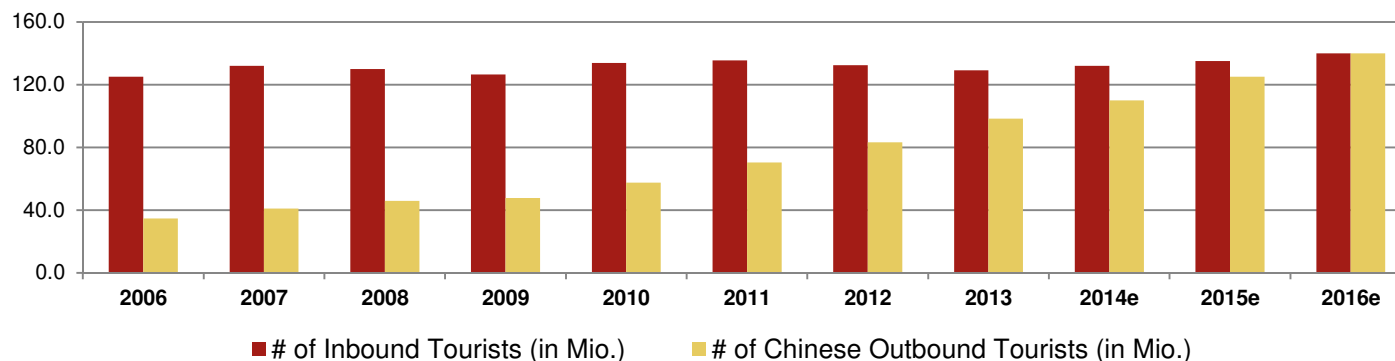
## CHINESE, THE DRIVERS IN DOWNTOWN DUTY FREE SHOPPING

### International Tourism Expenditure (USD Bn.)

RANK	INTL. TOURISM EXPENDITURE (in USD Bn.)				CHANGE (in %)		MARKET SHARE (in %)
	2005	2010	2011	2012	11/10	12/11	2012
1. China	21.8	54.9	72.6	102.0	32.3%	40.5%	9.5%
2. Germany	74.4	78.1	85.9	83.8	10.0%	-2.4%	7.8%
3. United States	69.9	75.5	78.7	83.7	4.2%	6.4%	7.8%
4. United Kingdom	59.6	50.0	51.0	52.3	1.0%	2.5%	4.9%
5. Russian Federation	17.3	26.6	32.5	42.8	22.1%	31.7%	4.0%
6. France	31.8	39.0	44.1	38.1	13.1%	-13.6%	3.5%
7. Canada	18.0	29.6	33.3	35.2	12.5%	5.7%	3.3%
8. Japan'	27.3	27.9	27.2	28.1	-2.5%	3.3%	2.6%

Source: WTO

### Number of Outbound Chinese Tourists & Inbound Tourists 2006-2016 (incl. Forecast)



Source: National Bureau of Statistics of China

## CHINESE, THE DRIVERS IN DOWNTOWN DUTY FREE SHOPPING

Chinese have become the world's largest outbound tourist market with 100 million Chinese who travelled abroad in 2014.

Chinese first travel within Asia before visiting Europe and USA.

The 5 most important tourist destinations for Chinese in 2014 were Hong Kong, Thailand, South Korea, Macau and Taiwan. All of them are leading downtown duty free markets.

Without any doubts, the Chinese are driving the downtown duty free sales and have surpassed the Japanese and South Koreans.

## **DOWNTOWN DUTY FREE IS AN ATTRACTIVE OPTION FOR CUSTOMER, VENDORS AND OPERATORS ALIKE**

### **Customers**

- Hassle free shopping in a high street environment, no limited dwell time like in airports;
- Purchased products can conveniently be picked up at the airport before departing;
- No need to carry products around while shopping or sightseeing;
- Attractive prices due to duty and tax free status;
- Larger choice than in any airport due to ample space.

### **Operators**

- Strong brand line-up; easy to attract brands in;
- Fix rent, which helps to create economies;
- No tenders. Possibility to get long term lease with landlord;
- Investment depreciation over a long term;
- Enhancing the image as a retailer.

### **Vendors**

- Downtown duty free stores are mostly located in high streets and town centers and offer excellent brand environment;
- They resemble more and more shopping malls in terms of size and architecture design, offering first tier luxury brands the environment they require to support the brand image;
- Downtown duty free stores are normally more spacious than airports will ever be able to offer, offering the brands sufficient space to exposure themselves and create correct brand adjacencies.

## 2. Border Shops

## MARKET DEFINITION & MARKET CHARACTERISTICS

### Market Definition & Main Characteristics

- Duty free stores at border crossing points are privately owned retail stores. They are licensed and specially authorized by Governments to sell products to cross border travelers without charging any of the taxes and duties normally applied;
- Customs allowance are set by Government. They specify the quantity or value of certain goods that one may buy at a duty free border store and take across the border without having to pay import duties or taxes;
- Border stores are normally under the strict control of customs;
- Border stores often deliver a stimulus to the economic development of underdeveloped regions and offer a government an additional source of income;
- It is a highly price sensitive market in a normally very competitive environment. The goods that are sold most are normally products that are either not available in the target market or at a much higher cost.
- Unfortunately, in some markets the trade of products at border crossing points is not thoroughly controlled by customs hence, encouraging illicit cross border trade or smuggling.



## **BRAZIL, THE NEXT BORDER SHOP MARKET**

### **Background & Main Purpose for permitting border stores**

- Main purpose is to combat the enormous cross-border trade that has developed, thus depriving Brazilian retailers of sales, profit and jobs.
- The South American free shop business has become a huge business in recent years with the growth of the Brazilian middle class and the overall development of the economy.
- Rio Grande do Sul is expected to become the most benefited region since it shares border with Uruguay, Argentina and Paraguay.

### **Government Ordinance and Custom Regulations**

- A government ordinance has already been issued allowing the establishment of a duty free special customs regime for operating border shops in so-called twin cities along the Brazilian border line.
- The Government announced 29 approved cities for the new possible concessions in March 2014 however, customs regulation needs still to get final approval.

### **Regime application**

- What is being said is that Brazilian nationals will be restricted to a monthly 300 USD per person allowance. This shall be controlled by a special software program linking the stores to a central database, controlled by the Brazilian Customs Authority.

### **Timing**

- It is expected that the Brazilian Customs Authority issues the long waited customs regulation on July 2015. However, when the Brazilian border stores are set to open is still unclear.

# Dufry Day

# 2015

D U F R Y

## HUDSON Retail Concept and International Expansion

### Joe DiDomizio – RCOO Region 4

PRESENTATION

January 2015

**1. HUDSON Retail Concept**

**2. HUDSON International Expansion**

## 1. HUDSON Retail Concept

# Hudson News evolution into HUDSON

- The change in travellers needs and demands initiated the change in the image of the store. Changes included design elements, product mix, category space allocation, and name change
- The introduction of the new Hudson drew very clear lines of distinction between grab and go food and a true travelers convenience
- Hudson accomplishes the definition of a true convenience shop, fulfilling all of the travelers needs
- HUDSON reinvented the reason for Airports to continue to allocate proper space to the travel convenience concept or former newsstand category
- The expansion of the Marketplace category (snacks, beverage, grab and go food) has been one of the greatest growth categories for Hudson and continues to grow as food and beverage service on airlines deteriorates
- Greater exposure of the Essentials category has been a significant factor in penetration improvement as it highlights categories that were once missing or hidden in former newsstands.

# Hudson News evolution into HUDSON



- Innovation
- Implementation
- Reorganization
- Refined



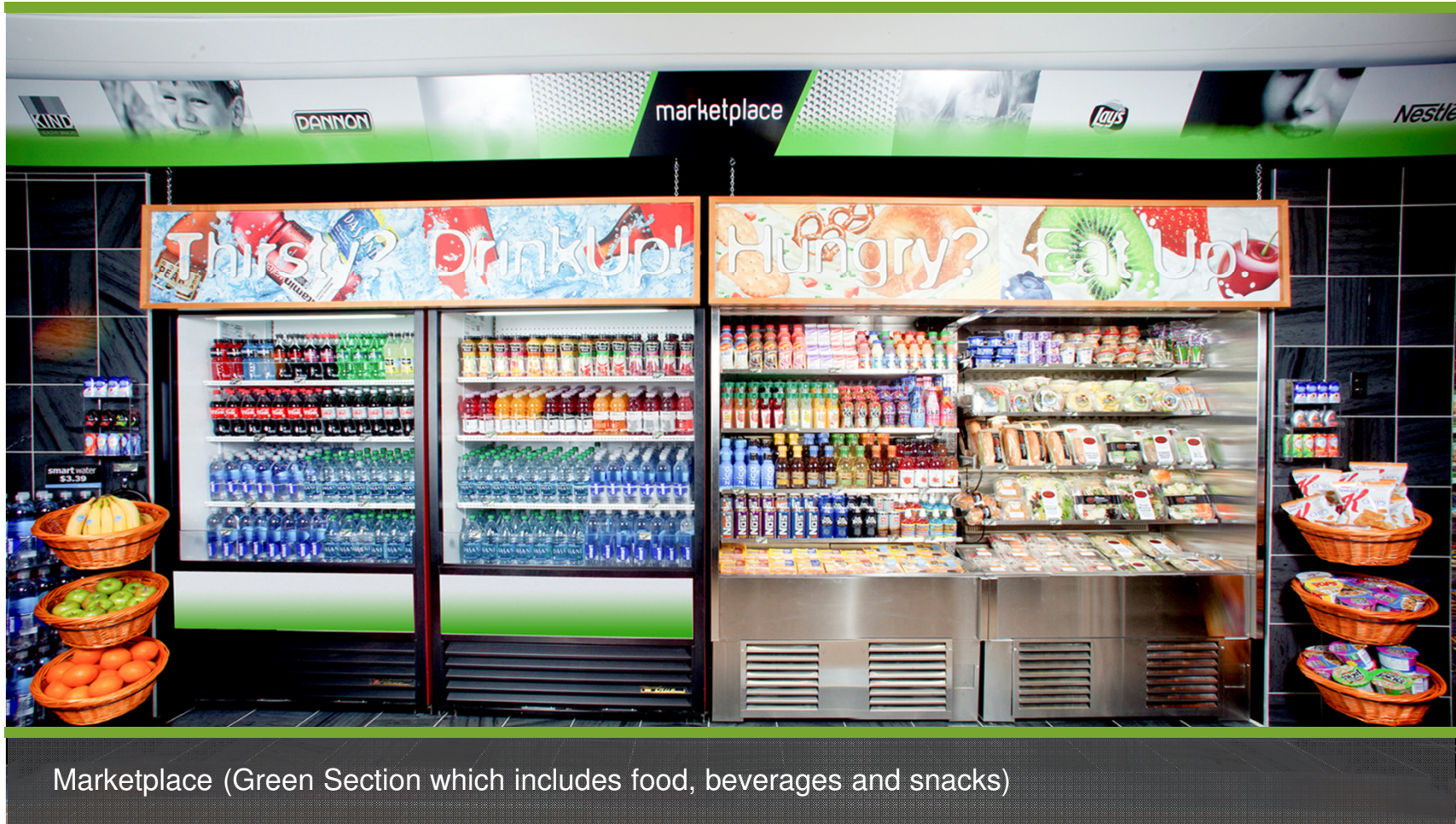


# # Hudson





# MARKETPLACE



Marketplace (Green Section which includes food, beverages and snacks)



# MARKETPLACE



Marketplace (Green Section which includes food, beverages and snacks)



## MEDIA



Media (Blue Section with books/magazines)



# ESSENTIALS



Essential Travel Products (Yellow Section with health & beauty care, electronics, neck pillows, blankets)



# ESSENTIALS



Essential Travel Products (Yellow Section with health & beauty care, electronics, neck pillows, blankets)

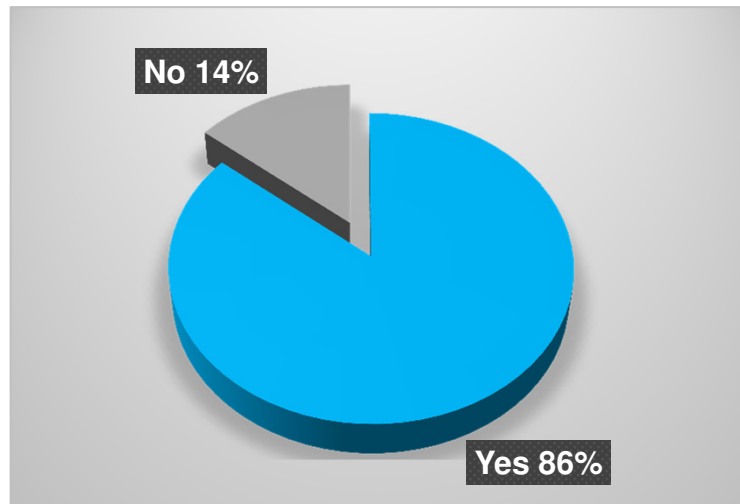


## DESTINATION

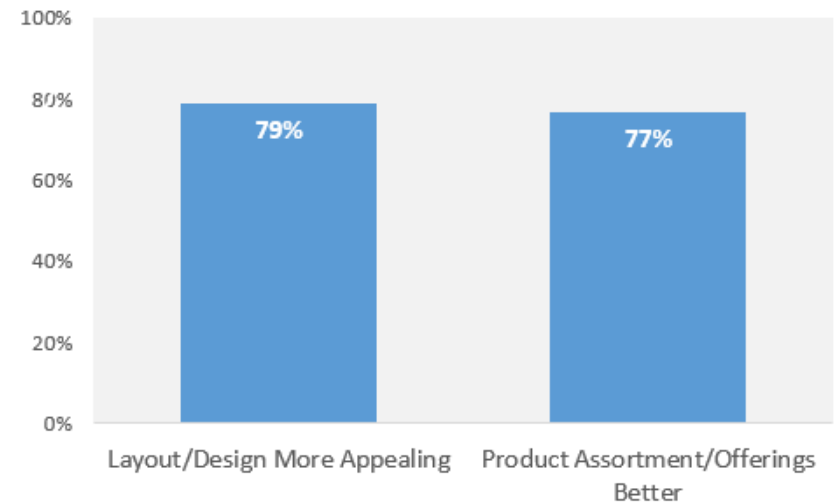


Regional Gifts (Lavender/Pink Section with T-shirts, mugs from departure city)

## Store layout impact

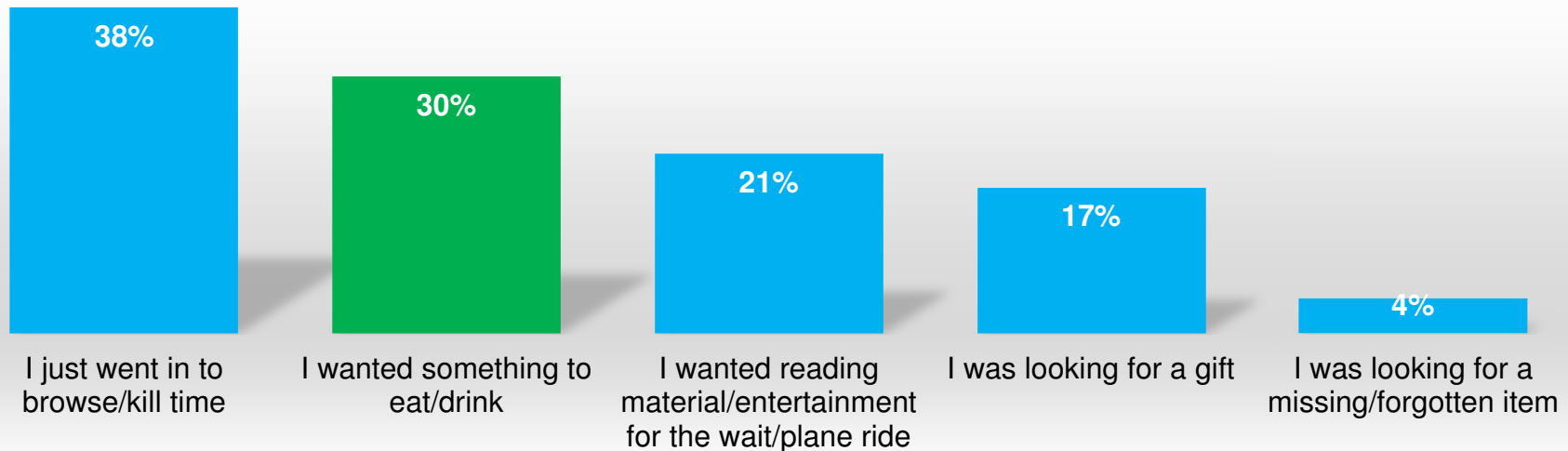


## HUDSON vs. Hudson News



- ✓ Almost nine of ten shoppers reported that the store graphics and overall layout of Hudson helped them to find things easier.
- ✓ Additionally, among those familiar with Hudson News, the vast majority of customers found Hudson to have a more appealing design and better product assortment.

## Reasons for visiting Hudson store



## Percentage who Came in for Item and Followed Through with Purchase



## Success of Marketplace

- Marketplace is the main penetration and conversion driver
- As revealed by the passengers, the “Marketplace” had significantly greater purchase appeal compared to the other store sections measured.
- Marketplace has also proven to have a very high upsale potential





**Average ticket increase: 8%**



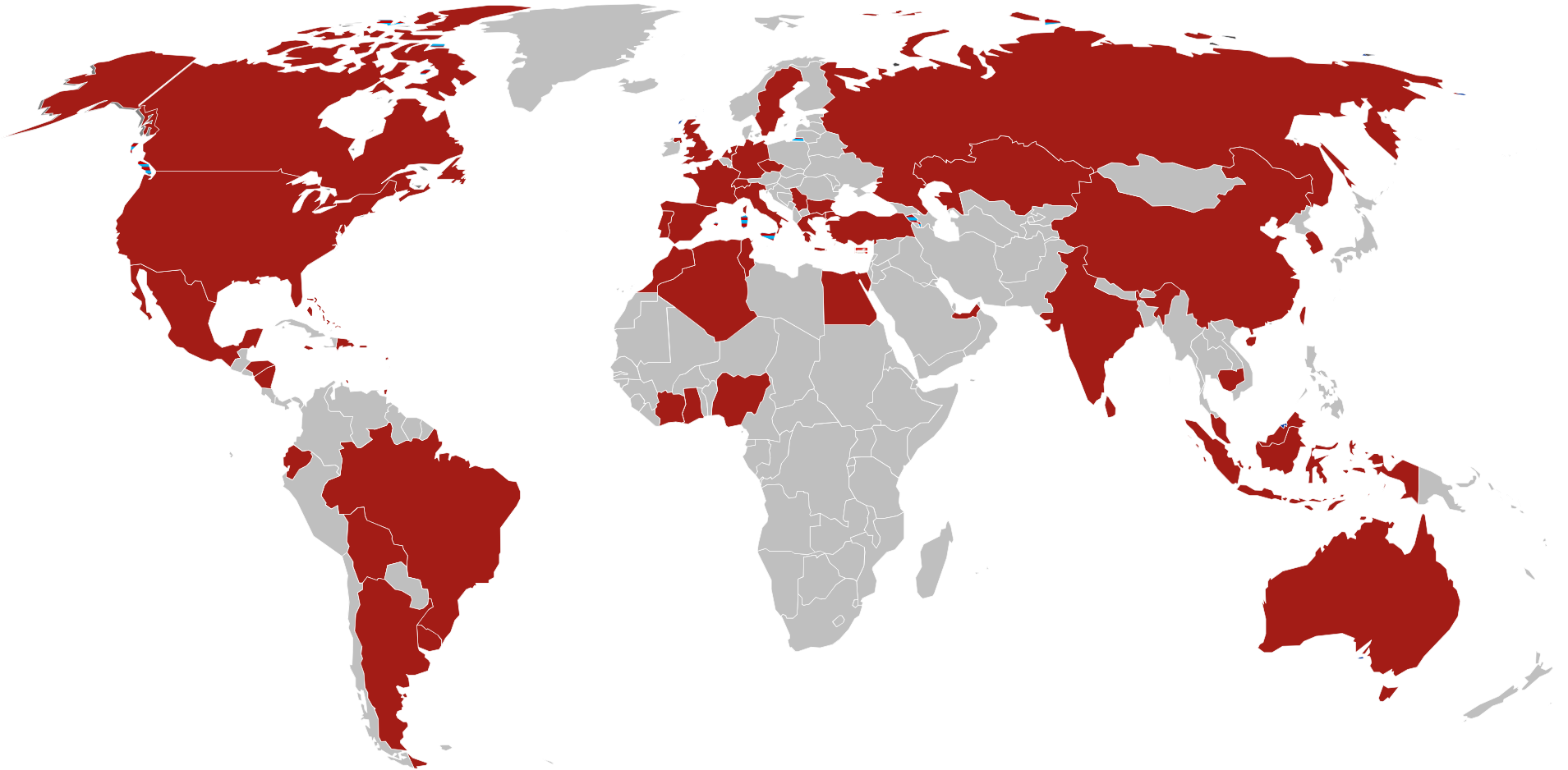
**Average customer increase: 11%**



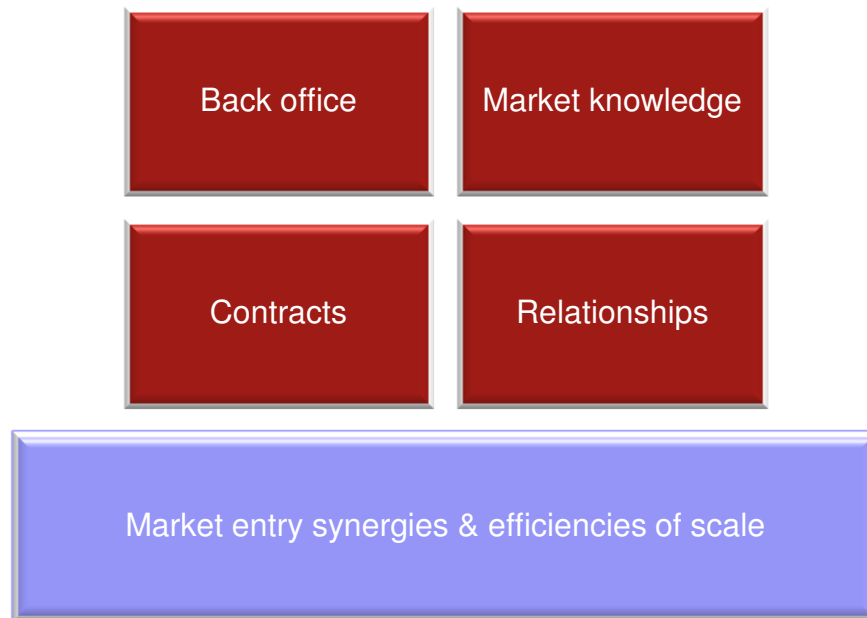


**Average sales increase: 20%**

## 2. HUDSON International Expansion



- Hudson Brand as Dufry Strategic Business Line
- Leverage Dufry Global Footprint – Growth and Synergies Potential



- Dufry utilizes its unique global footprint to expand the Hudson brand worldwide
- The strong international presence allows to build on existing infrastructure when expanding into a new country
- Growth and expansion opportunities can be easier identified in existing locations
- The global network lowers the cost of entry and allows to generate more local scale and incremental profitable growth

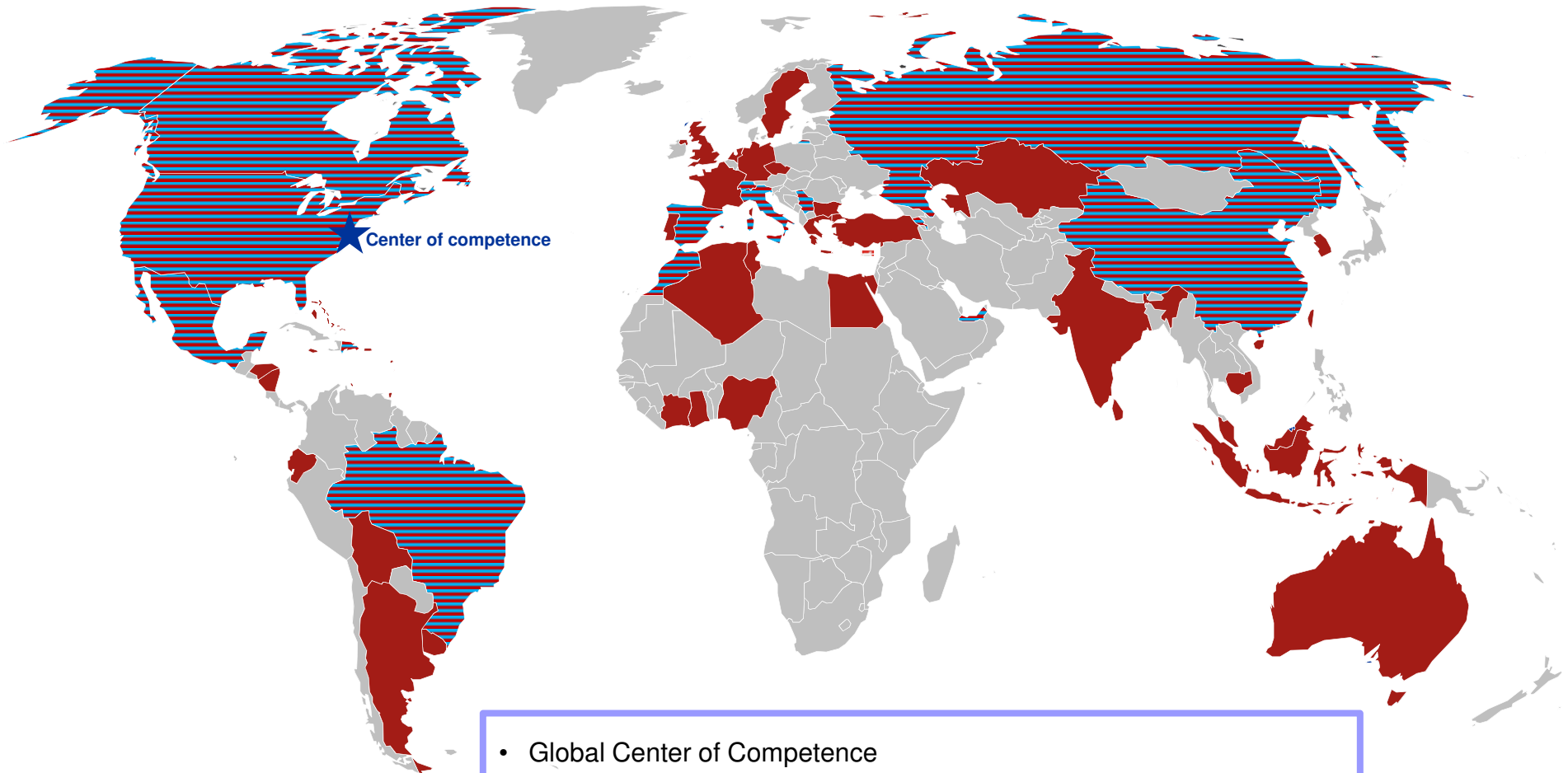
- Financial Metrics Consistent and Incremental to Dufry Global Financial Goals
- Hudson Brand Complements Dufry Diversification Goals within Travel Retail Channel
- International Travel Retail Essentials Evolution - Channel Timing and Opportunity
- Worldwide Convenience Channel Underdeveloped – Populated By Underperforming Operators with inferior airport spaces allocated to convenience retail
- Improvement in channel performance and creation of shareholder value



- Leads and supports the Hudson International expansion
- Immerse Participants in the Hudson Brand Experience
- Shares the knowledge and expertise of experienced Hudson management teams
- Expands the culture of excellence and execution
- Mirrors and projects the successful Hudson North America organizational structure worldwide
- Trains and develops local teams in North American trainings center
- Ensures high and consistent service quality worldwide
- Provide the essential connectivity between international team functionality, Hudson Brand standards, and the regions and business units



- **Global Support**
- **Global Standards**
- **Global Vendors**
- **Global Brands**
- **Global Relationships**

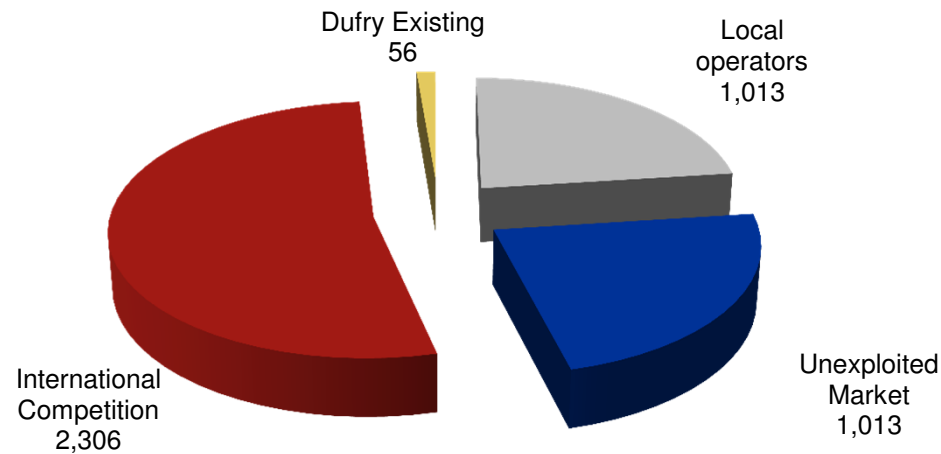


-  Countries with Dufry presence
-  Countries with Dufry presence and Hudson International shops

- Global Center of Competence
- 106 Hudson International stores open or scheduled to open in 2015
- 36 identified prospective opportunities in the pipeline

**Estimated Market Size of Convenience Retail in EMEAA: USD 4.4 billions**

## Market size in USDm

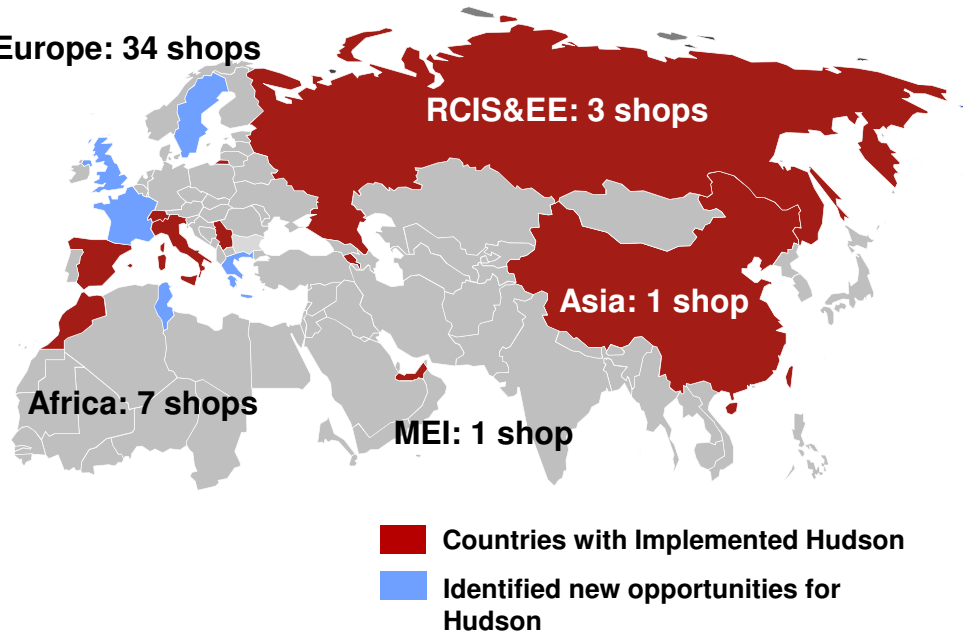


- Est. 54% of the total market size is operated by international convenience shops operators (Relay, WHSmith)
- Est. 26% of market is operated by the local companies and presents the potential M&A targets

# Hudson Brand - EMEAA

- Dufry operates 46 Hudson shops in 8 countries in EMEAA in 2014.
- In the last years, Dufry has rolled out Hudson concepts in Armenia, Russia and Chengdu to complement our existing airport operations.
- In the next stage, Dufry sees a huge potential in new Hudson concept.

Europe: 34 shops



## STRENGTHS

- **Addition to the existing core business:** Convenience to enroll the concept in existing location and generate additional revenue.
- **Attractive new Hudson concept and product range:** Enlarge product categories and variety of the assortment
- **Improved Margins:** due global supply for the special categories range

With the rebranded Hudson and the new international platform, Hudson is a key pillar in our expansion strategy in Asia.

# Dufry Day

# 2015

D U F R Y

## Duty Free Business Model

## Jose Antonio Gea

PRESENTATION

January 2015

# Dufry's Duty Free Business Model

Dufry has been developing during the last ten years a Business Model for Duty Free based on **standard** practices along with necessary **flexibility**

This business model allows Dufry to achieve three main goals:

- A** Facilitate the rapid integration of acquired companies
- B** Maximize synergies derived from M&A activity
- C** Deliver constant and strong organic growth



## Dufry's Duty Free Business Model

Through this business model, Dufry has become *the* largest travel retail company in the history of this sector

Dufry is the **leading Duty Free player** in the travel retail with **market share of 15%**.

	Stores	Airports	Countries	Square Meters	Suppliers	Employees
Dufry	1.705	+220	63	276.000	+1.000	21.800

But also the **most profitable** player in the sector with EBITDA margin of 14.1% (first 9 months of 2014).

A constant growth of 21% during the last 10 years has been delivered via two lines:

- A** Being the leading **consolidator in the travel retail market**
  - Nuance (2014), Folli, Follie (2013), Regstaer (2012), Operations in: Argentina, Uruguay, Ecuador, Armenia and Martinique (2011), CEI (2010), Hudson Group (2008), Brazil (2006), Puerto Rico (2006), Dominicana (2006)
  - Integrating these acquisitions, always in the first year of operation.
- B** **Constant and consistent organic growth** over the past 10 years above 9% annually

## The Operational Dufry standard model for DF is based on three pillars:

- 1 Centralized Global Platform
  - 1a Category Management
  - 1b Distribution Centers
  - 1c Store Design
- 2 Local Standardized Implementation (Modus)
- 3 Standard Tools

## 1a Through category management we ensure to optimize the brand value in Dufry network

Our final customers are demanding three main topics:

- The best international brands
- Reasonable prices
- Promotions / New products

Our sales are concentrated on a limited number of suppliers

To address this, Dufry has created a **specialized organization focused on Categories and organized on 3 pillars** (Product, Pricing and Promotion) which main objectives are based on the following KPIs:

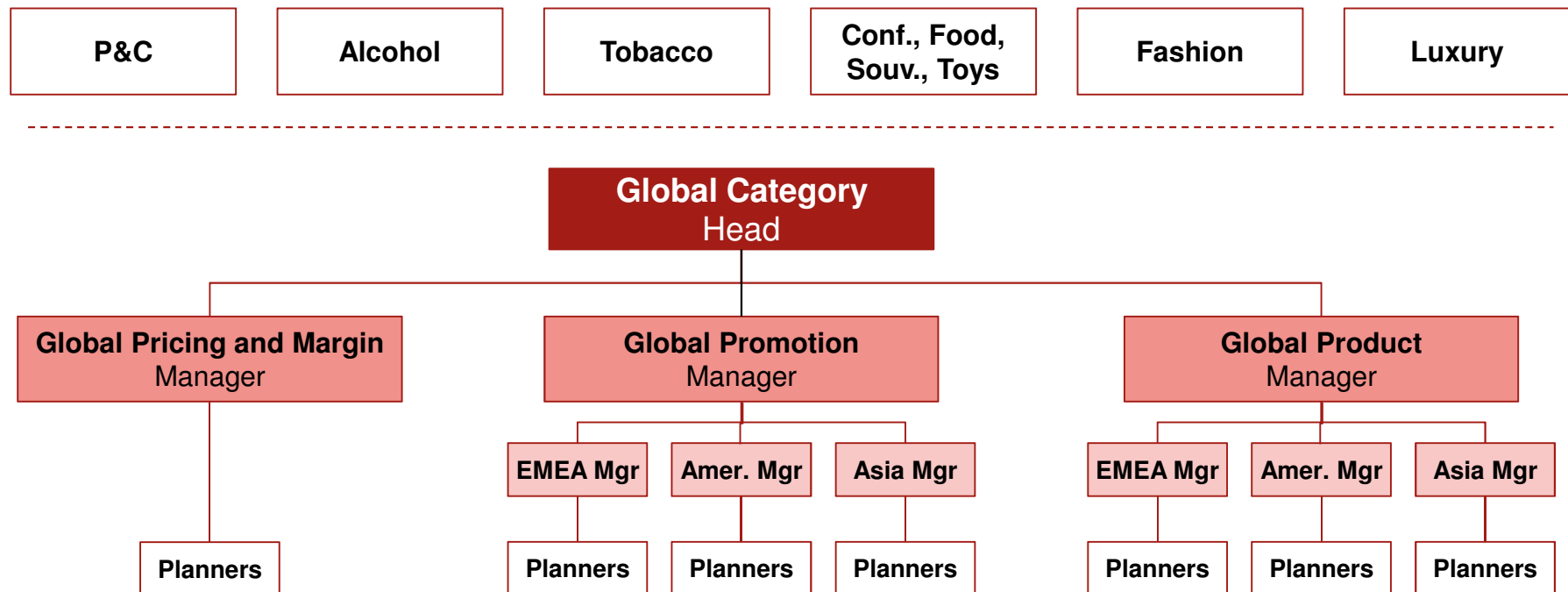
1. **Increase sales and margin**
2. **Optimize the potential of each brand** throughout the Dufry network.

Dufry has a **strong asset, its network, that creates value for the brands.**  
Team responsibility is to **optimize that value for the brands and for Dufry**

## 1a Global specialized organizational model with category and regional focus

### Category Specialization

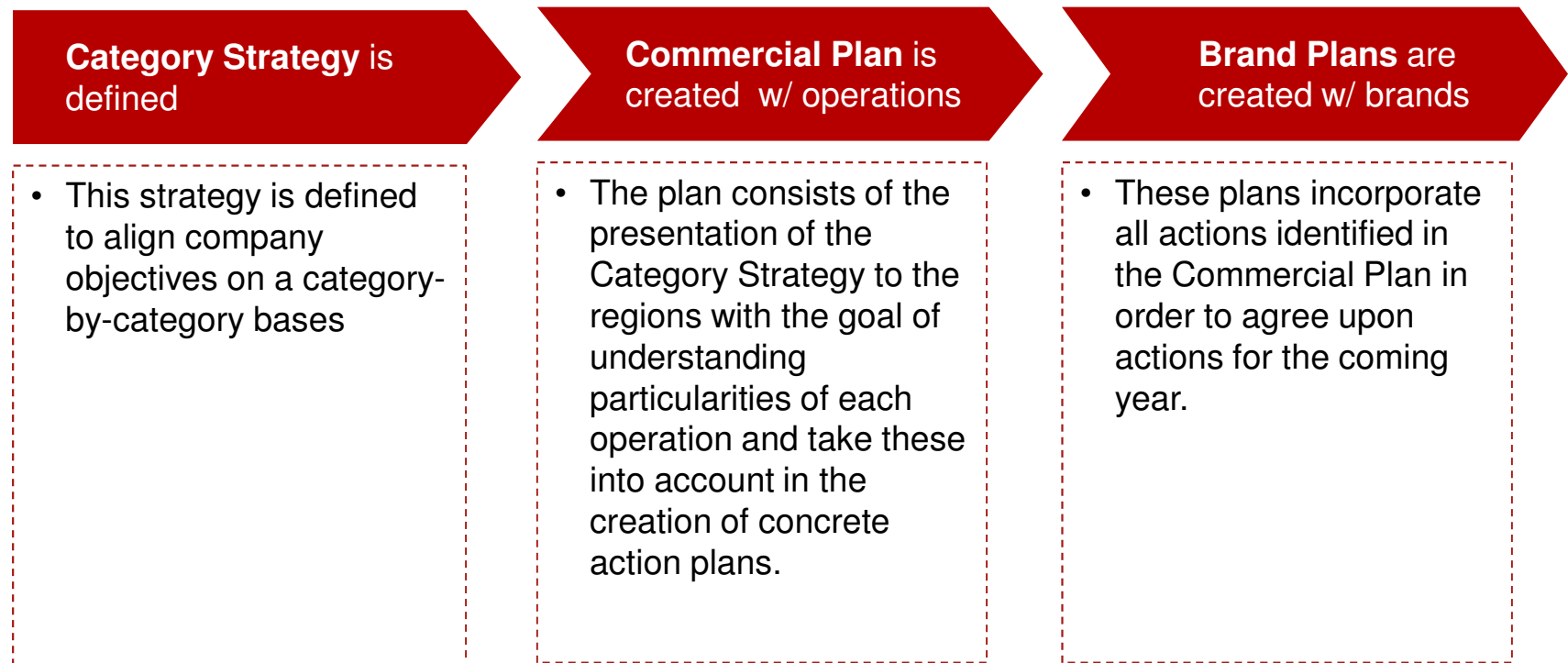
- Dufry has created an organization specialized by Category



### Brand Managers

- Brand Managers in Fashion and Luxury, with experience and knowledge of specific brands, are responsible for the implementation and roll-out of the brand throughout Dufry

**1a Dufry follows a systematic approach to Category Management that includes 3 steps coupled with continuous follow-up**



## 1b Our Logistics operation is one of the keys to ensure sales performance

Dufry has only **one chance to make a sale**, if the product is not on the shelf, the sale will never happen, so logistics represents a critical step in the purchasing process.

All of this is **achieved in a highly volatile environment** with airport closures, new operation incorporation, PAX fluctuations, marked seasonality, high promo levels, volatile FX rates, Political Instability (Russia and North Africa), Global product launches, store refurbishments, airline strikes...

The main goals of this complex logistics structure are:

1. Optimization of **Net Working Capital** through:
  - Control of inventory levels
  - Supplier financing of stock
2. Optimization of **Out-Of-Stock**
  - Dufry strives to stay below 5% OOS in all operations with special focus on high rotation items
3. Optimization of **Distribution Costs**
  - Warehouse costs
  - Transport costs

### 1b In order to achieve these goals, Dufry has created a sophisticated logistics system organized in 3 Distribution Centers

These Distribution Centers are located in **Americas, Europe and Asia**, and allowing the company to achieve Out of Stock levels below 3%, while maintaining Net Working Capital below 6.8% of sales

All these logistic centers follow **standard and common operating procedures** and are under the same centralized structure, providing exceptional service levels by:

- **Centralized forecast** consolidating all worldwide operations demand, under constantly changing and challenging environments
- Creating unique and centralized **Master Data** that provides consistency of all data and allows Dufry to detect and take advantage of all synergies
- Sharing of data with suppliers through a corporative extranet (DSE) in order to improve orders, stock levels and stronger sales forecasts
- Weekly basis - Creating more than 800 purchase orders to suppliers every week, under one unique control, which facilitate the control of the quality of the inventory, and the improvement of NWC



### 1c Dufry designs stores with the primary goal of profitability

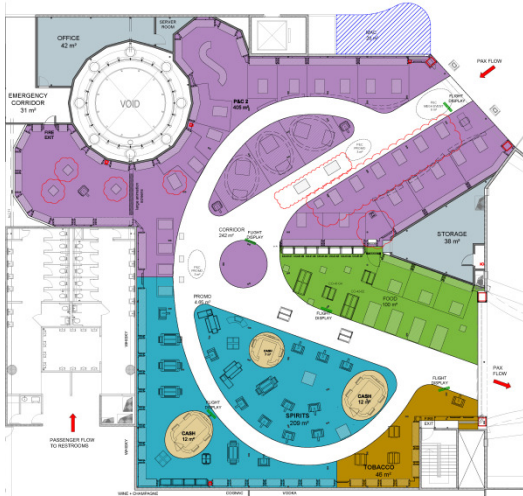
Design and refurbishment of stores is a **key element for organic growth**:

- Layout is created under the principals of **maximization of margin**
- Most effective distribution of brands, **aligned to the Brand Plan**, with the goal of optimizing Advertising Income

Specifically, the design of new stores takes into account three steps before creating a proposed layout:

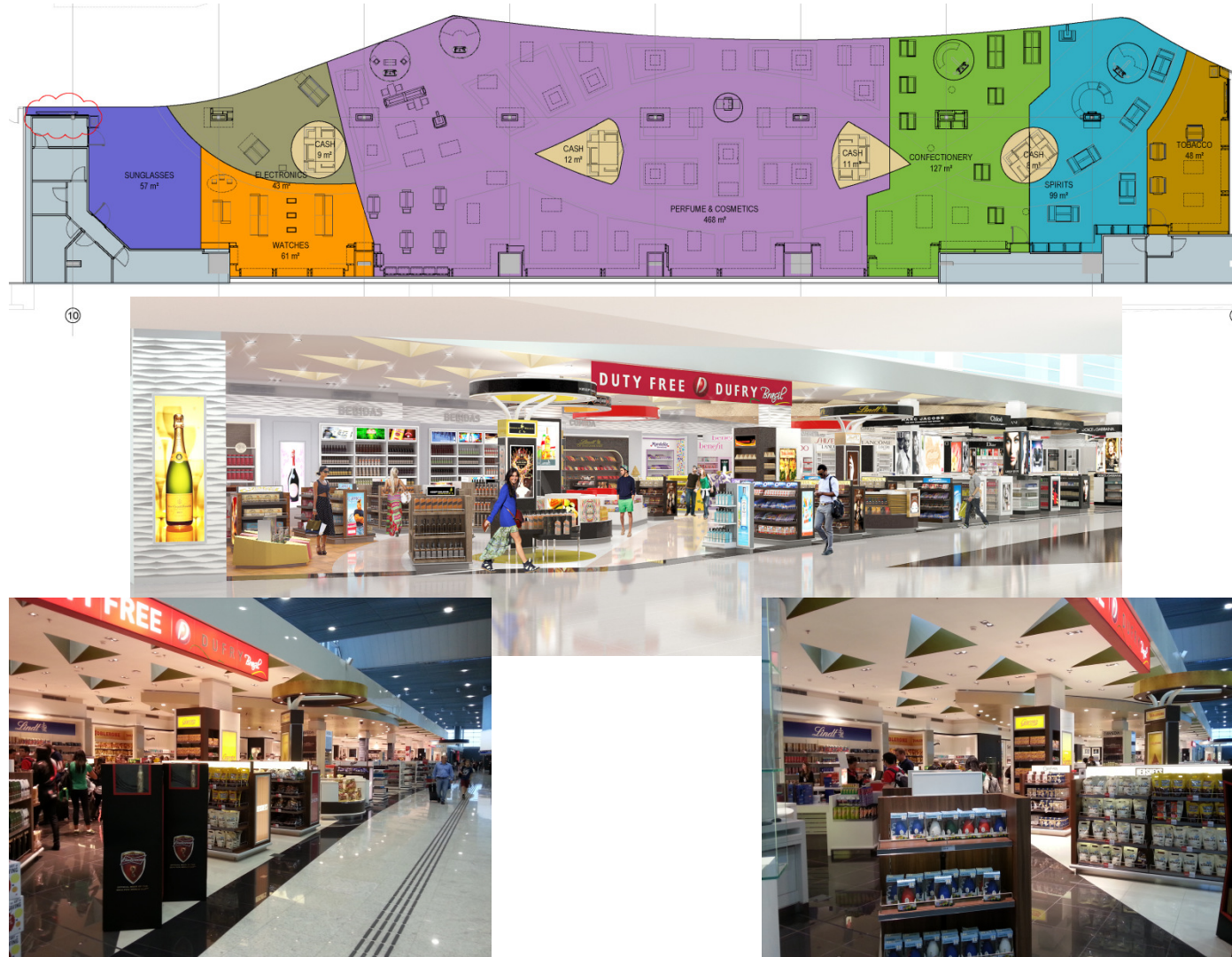
- PAX Profile analysis with data compiled by Dufry's own databases
- Discuss with operation in order to understand any local circumstances
- Review with Category and Brand managers in order to align with Brand Plan

## 1c From layout to final store construction - Bali

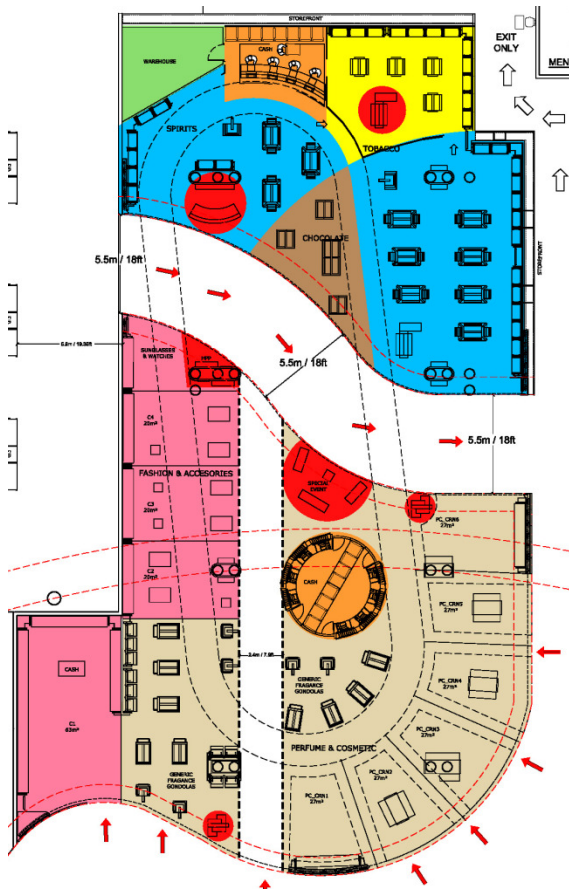




## 1c From layout to Final store construction – Sao Paulo

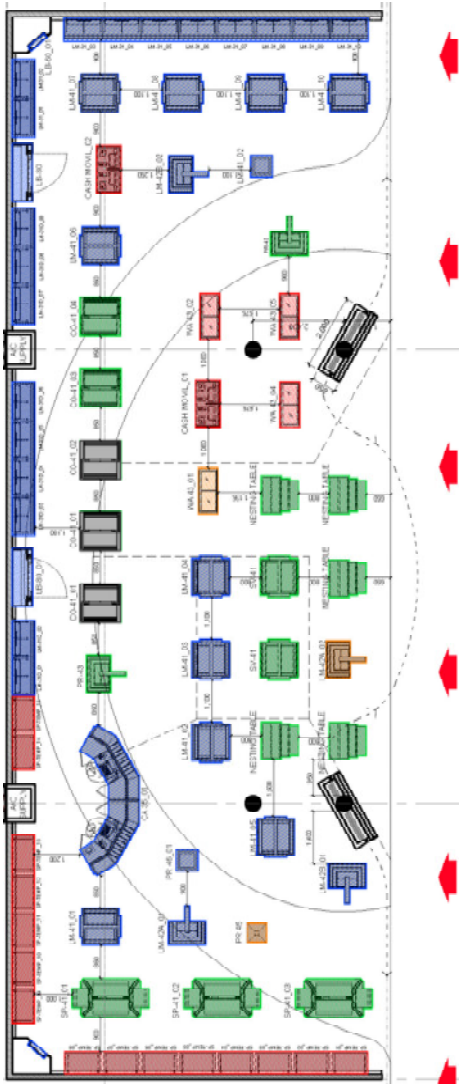


## 1c From layout to Final store construction – Chicago





## 1c From layout to Final store construction – Korea, Busan



## 2 In order to ensure efficient and effective management, each Dufry store operates using standard operating procedures of Dufry (Modus)

**Modus** defines the group processes and roles by standardizing detailed procedures for all business streams:

Marketing	Procurement	Finance	Legal / Audit	Cust. Service
Reporting	Logistics	Org / HR	Store Ops	Business Dev.

The **regional structures are responsible for the local implementation of Modus** allowing for efficient and consistent management in every operation.

For 2015, Dufry has new initiatives to roll out that will continue to deliver store level efficiency improvements:

- New store level organization and incentive program
- eModus
- Planograms



# Organic Growth Acceleration

**The following initiatives are the strategic focus of Dufry for 2015.**

- i Sales Acceleration Plan**
- ii Efficiency Plan**
- iii Synergy Realization**
- iv Procurement Platform**

## **i** Sales Acceleration Plan

### **a** New Store renovations

- A 3-year plan of renovations will cover over 40% of all Duty Free sales through more than 80 stores
- Experience shows a sales improvement of 10-15% in renovated stores

### **b** Operational Improvements

- eModus – An application that will increase operational productivity as well as efficiency by eliminating manual tasks
- Specialized Store organization focused on improving customer service while increasing productivity and profitability
- Sales Incentives Program – Dufry's incentives program has been developed to increase sales through individual and stores-based incentives
- Planograms – A Planograms tool has been developed in order to maximize profitability, item location and space usage

### **c** Promotional Improvements

- Promotions will increase by 15% (to roughly 35.000 activities) through agreements with key brands on an improved promotional plan

### **d** Novelty Products / Brand Plans

- The share of novelty items will be expanded to make up 10% of sales, aligned with the negotiated brand plan

## ii Efficiency Plan

- The plan is being developed with 2 main objectives :
  - On a short to mid term: grow organically with more efficiency in current structure while eliminating duplicity of roles / functions
  - On a mid to long term: create a sustainable model that will compensate future concession fee increases with cost reductions

## iii Synergy Realization

- Synergies gained from the acquisition of The Nuance Group in 2014 will be realized. These synergies will include the following areas:
  - Pricing
  - Promotional / Assortment
  - Terms and conditions

## iv Procurement Platform

- The operational model, based on 3 main supply chains organized around DCs in America, Europe and Asia, considers significant improvements to successfully implement the Commercial Strategy
  - Centralized Ordering and Master data functions
  - Full integration of the Asian Platform
  - Integration of platforms in Europe
  - Optimization of New Working Capital

# Dufry Day

# 2015

D U F R Y

**Financing strategy  
& Nuance consolidation  
Andreas Schneider – CFO**

PRESENTATION

January 2015

Financing Strategy is aligned with Group Strategy and Business Model

## Key Metric

- **Financial leverage**

- **Cash to shareholders  
(Dividends / Share buybacks)**

- **Share price volatility**

## Drivers

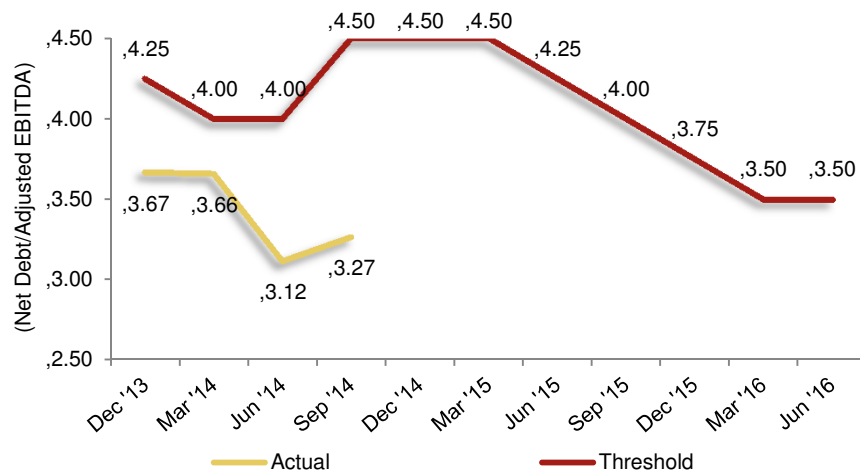
- Operational Leverage
- Cyclicity of the business
- Acquisitions / External growth strategy
- Free cash flow generation

- Free cash flow
- Acquisitions / Strategic shift

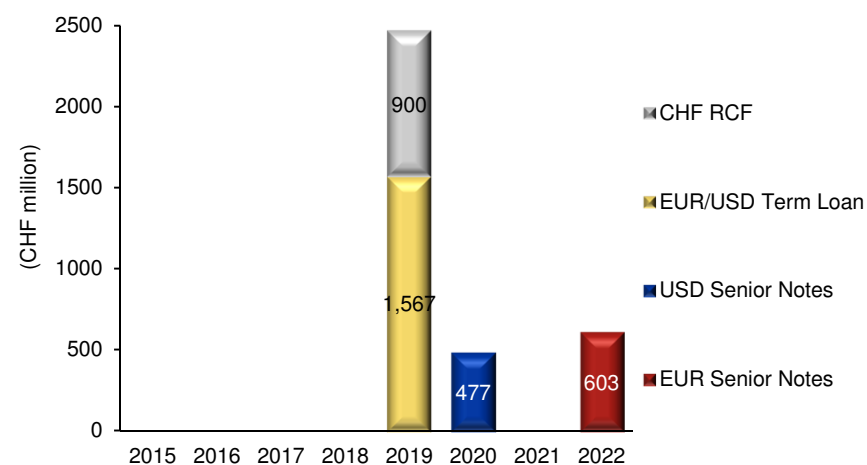
- Financial + Operational leverage
- Cyclicity of the business

# Current Financing Strategy (1)

## Covenants Evolution



## Debt Maturity



## Current Strategy

- Leverage range: 2-3x net debt / EBITDA
- Acquisitions (partially) financed with debt up to around 4x leverage
- De-leverage to below 3x within 12-24 months

## Dufry Rating

**S+P**

**BB+**

**Moody's**

**Ba3**

**Fitch**

**BB**



## Current Financing Strategy (2)

- Business strategy (growth strategy based on organic growth and acquisitions)
- Business model
  - High proportion of variable costs / low operational leverage
  - High free cash flow generation
  - Diversified concession portfolio
  - Directly managed operations
- Industry dynamics
  - Secular growth based on passenger growth
  - Resilient business occurs at most affluent segments
  - Competition for winning contracts, but protected when operating
  - Captive audience

## Nuance Consolidation Effect – Checklist (1)

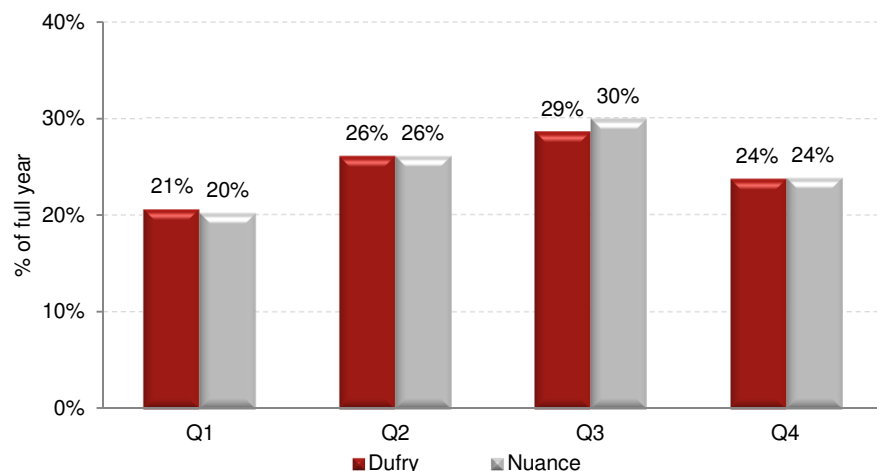
<b>Turnover</b>	<ul style="list-style-type: none"> <li>• Termination of lossmaking contract in Sydney in Q1 2015</li> <li>• Termination of main Singapore contract in Q4 2014</li> </ul>
<b>Gross margin</b>	<ul style="list-style-type: none"> <li>• Full CHF 35 million of synergies from 2016 onwards; first synergies expected Q2 2015 with ramp-up along the year</li> </ul>
<b>Concession fees</b>	<ul style="list-style-type: none"> <li>• Increase as % of sales as Nuance concessions fees are higher on average</li> </ul>
<b>Personnel + Other Expenses</b>	<ul style="list-style-type: none"> <li>• Reduction as % of sales</li> <li>• Synergies of CHF 35 million from 2016 onwards</li> </ul>
<b>EBITDA</b>	<ul style="list-style-type: none"> <li>• Synergies expected towards Q4 2015; full synergies from 2016</li> </ul>
<b>Depreciation</b>	<ul style="list-style-type: none"> <li>• To remain stable as a percentage of sales</li> </ul>
<b>Amortization</b>	<ul style="list-style-type: none"> <li>• CHF -80 to -90 million additional amortization based on preliminary PPA</li> </ul>

## Nuance Consolidation Effect – Checklist (2)

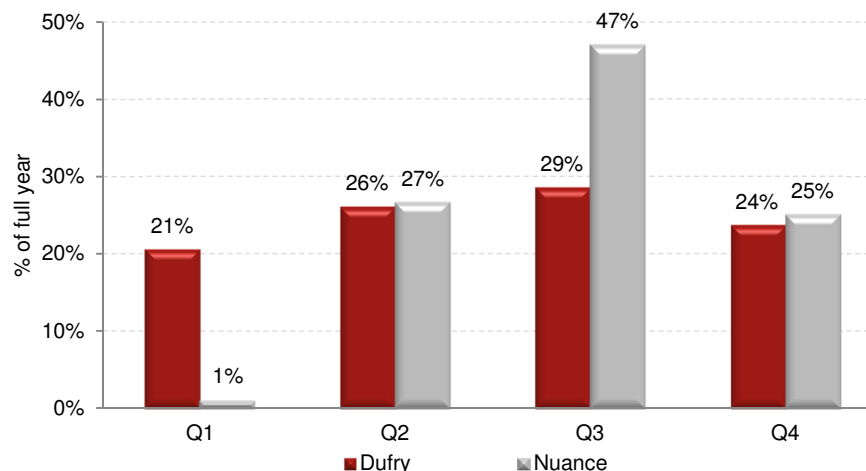
Other Operational Result	<ul style="list-style-type: none"> <li>• Non-recurring integration cost in 2014 and 2015: Total of CHF 30 million</li> <li>• Transaction cost fully booked in 2014</li> </ul>
EBIT	<ul style="list-style-type: none"> <li>• Financial result: CHF -30 to -40 million of additional debt from acquisition and operational requirements</li> <li>• Non-recurring financing costs in 2014</li> </ul>
Taxes	<ul style="list-style-type: none"> <li>• Tax-rate expected to move to higher end of target range of 20%-25%</li> </ul>
Minorities	<ul style="list-style-type: none"> <li>• Nuance minorities to add CHF 5-10 million</li> </ul>

# Impact of Nuance Consolidation 2014/2015

## Dufry/Nuance Turnover seasonality

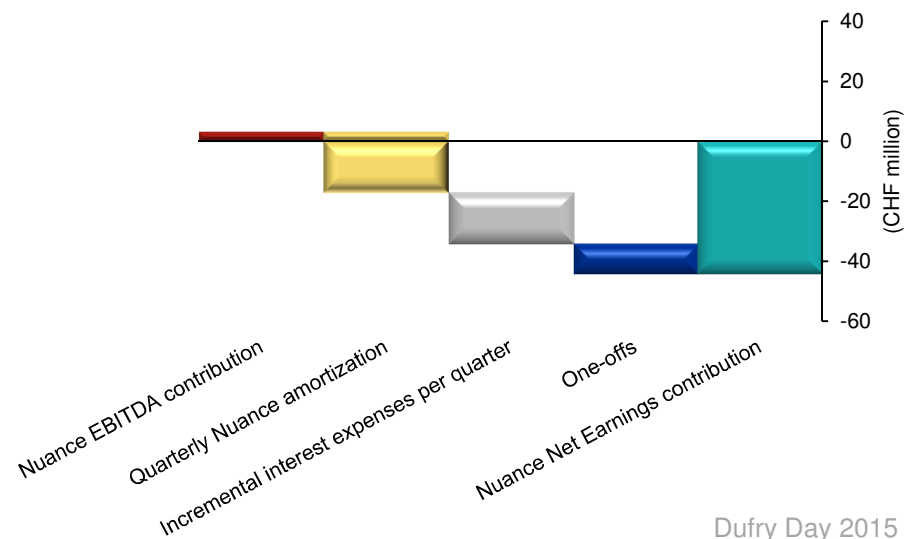


## Dufry/Nuance EBITDA seasonality



- Dufry's business is seasonal, with the strongest quarter being Q3
- Nuance acquisition will intensify this seasonality, as Q1 and Q4 are relatively less important for Nuance
- Operational leverage results in higher seasonality in terms of EBITDA
- Nuance will also increase seasonality in the EBITDA
- Stable cost items below EBITDA

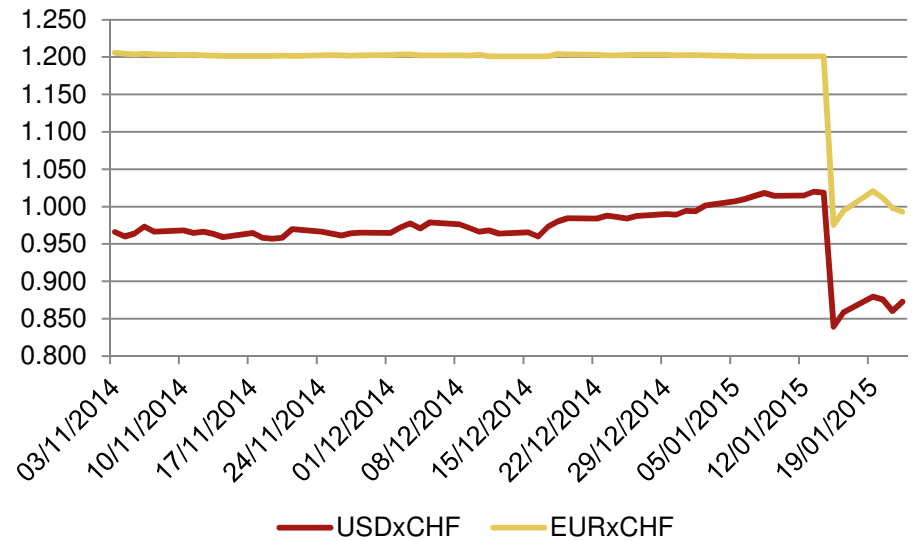
## Illustrative Net Earnings Q1 2015



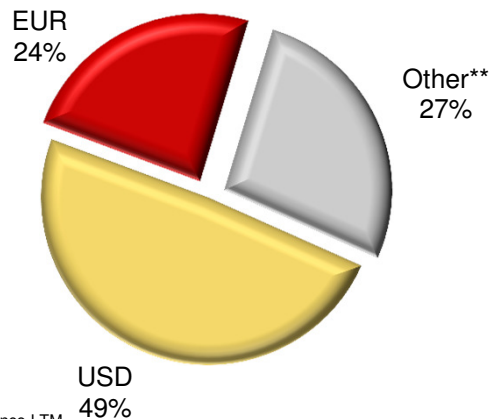
# Foreign Exchange Development and Impacts on Dufry

- On 15<sup>th</sup> January, the Swiss National Bank decided to let go of the floor with the Euro, creating volatility on the Swiss Franc versus all major currencies

## Evolution Exchange Rates

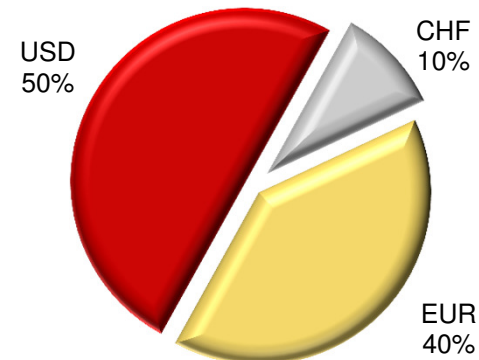


## Turnover by Currency LTM 9M 2014 PF\*

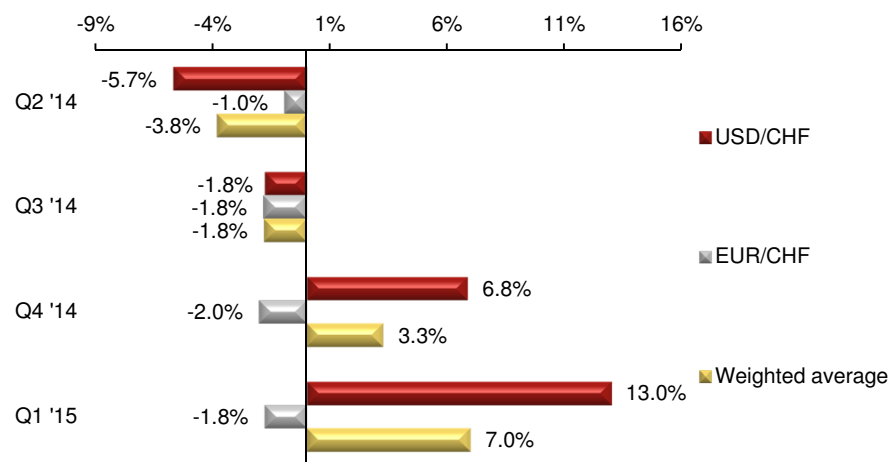


\*\* Pro-forma including Nuance LTM  
\* Other includes CHF, SGD and other currencies

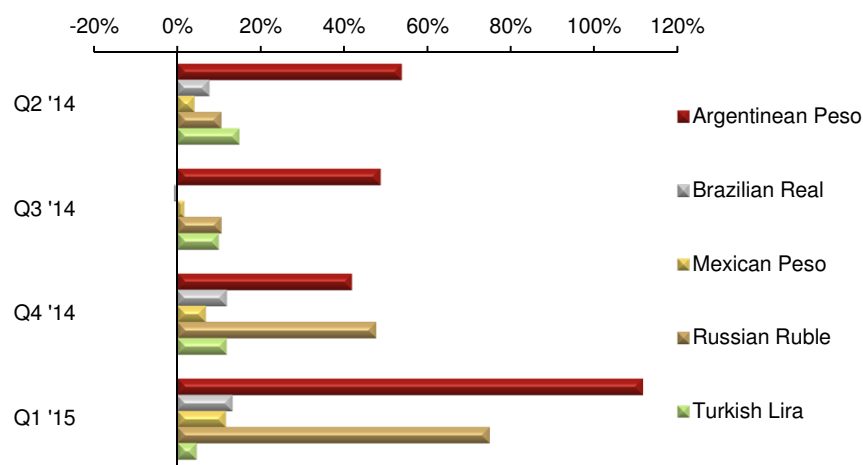
## Debt Instruments / Currency



## Evolution of Hard Currencies



## Evolution of Local Currencies vs. USD



- **Transaction impacts**

- Insignificant transaction impact as main costs and revenues are matched locally  
→ natural hedge

- **Cash Flow / Balance Sheet**

- Debt to reflect cash generation for respective currency raised
  - Economically value neutral
- Balance sheet exposure minimized
  - High short-term volatility may lead to some non-recurring/non-cash FX results as daily hedging is not possible

- **Translational effect**

- Dufry generates most of its revenues in hard currencies other than Swiss Francs. Changes in the Swiss Franc versus mainly the USD and the EUR creates a translational impact in Dufry's financials

- **Purchase power of emerging markets consumers**

- Devaluation of local currencies tends to reduce purchase power of consumers in hard currencies





D U F R Y

**Thank you!**