
# Q1 2018 Results

## Strong start in 2018

May 8, 2018

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# AGENDA

1. Q1 2018 Results

2. Financials Q1 2018

3. Conclusion

# 1 Q1 2018 results

Strong organic growth of 7.1%

Gross profit reaches CHF 1,089.9 million and gross margin of 59.9% increased by 30 bps

EBITDA reaches CHF 183.1 million and EBITDA margin expands to 10.1% (+100 bps YoY), benefitted by lower concession fees and first BOM efficiencies

Cash flow generation accelerated

Dividend of CHF 3.75 per share approved

Share buyback program of up to CHF 400 million to be launched on May 11, 2018

# Highlights Q1 2018

Strong organic growth of 7.1% despite higher comparables

EBITDA margin expands by 100 bps

Cash EPS grows by 93.1% to CHF 0.56

- Strong organic growth of +7.1% in the first quarter of 2018
  - Turnover increased by 6.6% to CHF 1,820.0 million
  - 4,500 $m^2$ of retail space opened across 57 shops, through new openings and expansions
  - 7,100 $m^2$ of commercial area refurbished in 16 shops
  - Contracts signed that will add 13,900 $m^2$ to the portfolio in the remainder of 2018 and 2019
- Gross profit margin expands by 30 bps to 59.9% from 59.6% in Q1 2017
- EBITDA margin expands by 100 bps to 10.1% from 9.1% in Q1 2017
  - EBITDA grows by 18.4% and reaches CHF 183.1 million
- Cash EPS in Q1 2018 grows by 93.1% to CHF 0.56 from CHF 0.29 in Q1 2017
- Free cash flow in Q1 2018 of CHF -45.0 million; CHF 32.0 million higher than Q1 2017
  - Typically Q1 and Q4 are the less important quarters for cash generation



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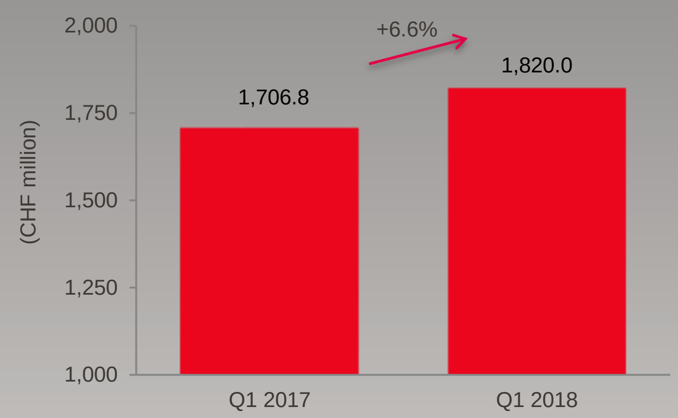
# Turnover analysis

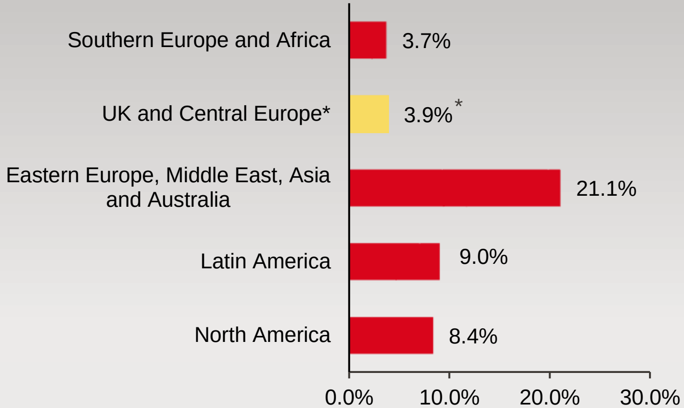
Turnover grows by 6.6%

Expectations of organic growth for the year confirmed

## Turnover evolution




## Organic growth by division Q1 2018




* Excluding the loss of Geneva. Including Geneva, organic growth of -1.4%.

- Turnover grew by 6.6%
- Turnover expansion supported by both like-for-like and net new concessions contributions
  - Contribution of net new concessions (+2.2%) was the highest quarterly increase since 2011
- Trading Update
  - Expectations of organic growth for the year unchanged



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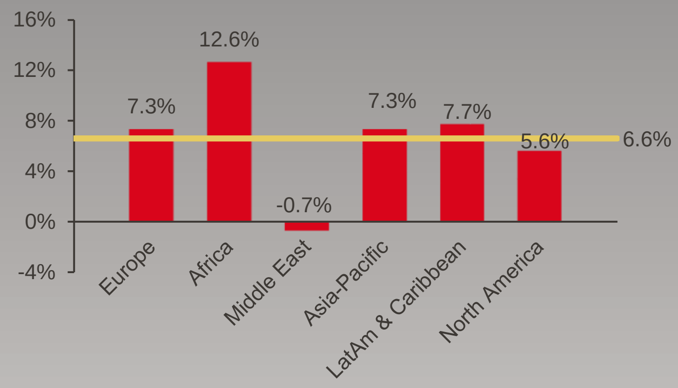
# Resilient passenger traffic

Healthy international PAX growth

## International PAX growth – Q1 2018*




Source: ACI
* Until February 2018

## International PAX growth forecast

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| Europe | 6.4% | 5.0% | 4.9% |
| Africa | 8.3% | 3.3% | 3.2% |
| Asia/Pacific | 8.9% | 7.8% | 7.3% |
| Middle East | 4.2% | 5.5% | 5.2% |
| LatAm/Caribbean | 6.9% | 6.5% | 6.1% |
| North America | 4.3% | 4.3% | 4.1% |
| **World in total** | **6.8%** | **5.8%** | **5.5%** |

Source: Air4casts (01/05/2018)

Forecast continue strongly

- Strong passenger growth in Q1 2018
- PAX expectations for next years show strong, continued growth in all regions
- PAX growth to continue to be the most important component of organic growth

PAX = Passengers



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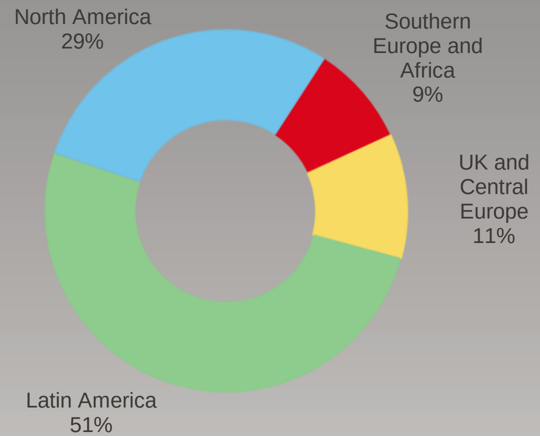
# Dufry has opened close to 4,500 m² of gross retail space in Q1 2018

4,500 m² of gross retail space opened in Q1 2018

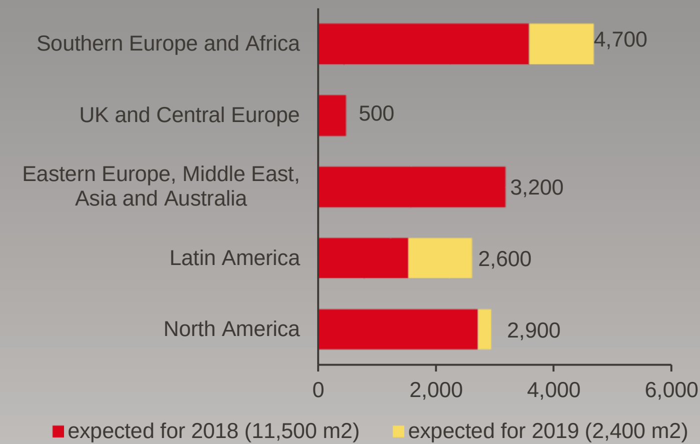
7,100 m² of retail space refurbished in Q1 2018

440,000 m² of retail space operated in total

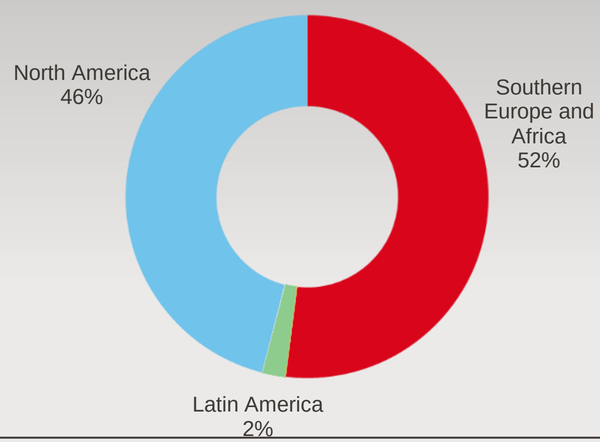
## 4,500 m² of gross retail space opened



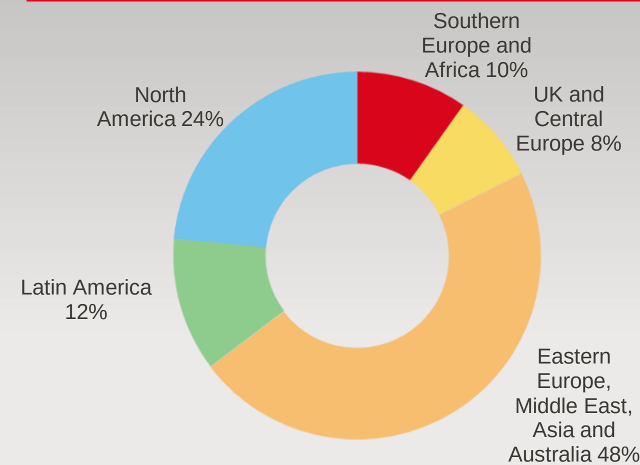

## 13,900 m² signed space




## 7,100 m² of shops refurbished




## Project Pipeline: 50,400 m²



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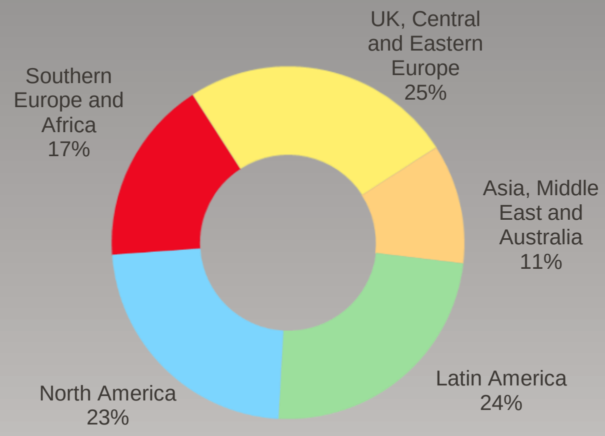
# Comparison Dufry's Segmentation 2017 / 2018 (1)

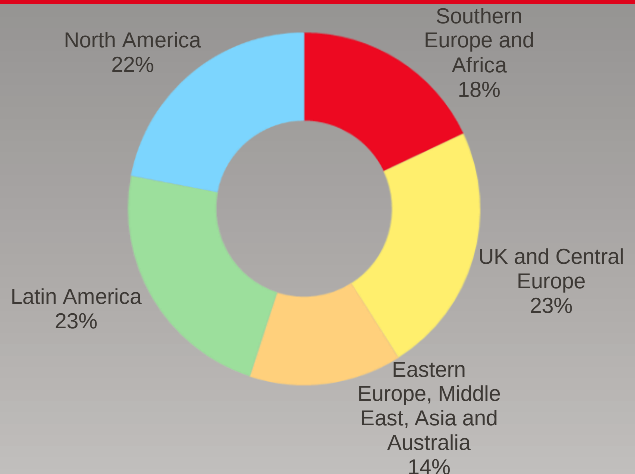
Balanced concession portfolio across divisions

Increasing importance of Cruise Liners

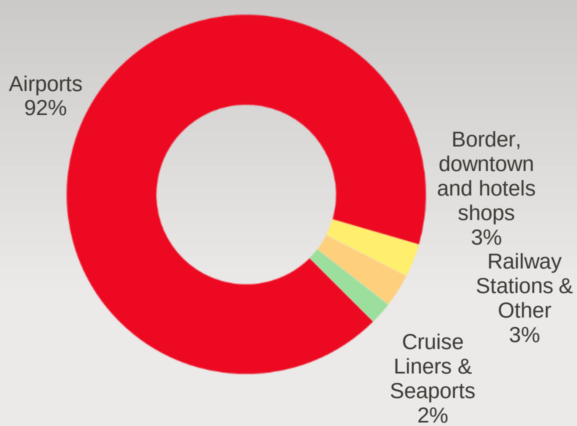
## Dufry by Division Q1 2017



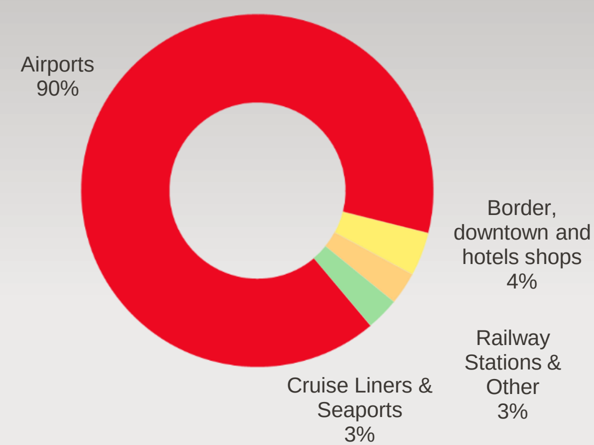

## Dufry by Division Q1 2018




## Dufry by Channel Q1 2017




## Dufry by Channel Q1 2018




Note: Based on net sales

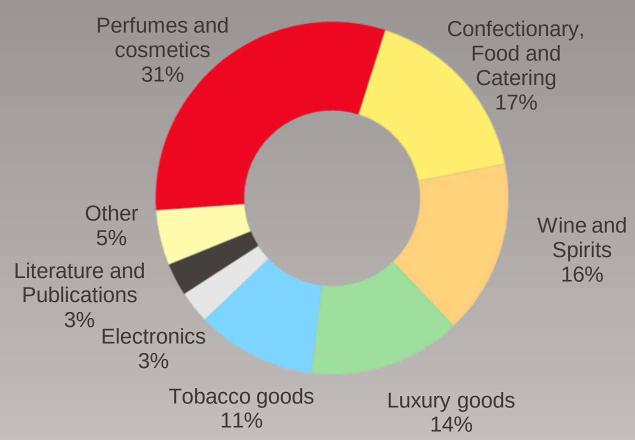
# Comparison Dufry's Segmentation 2017 / 2018 (2)

Further increase of P&C

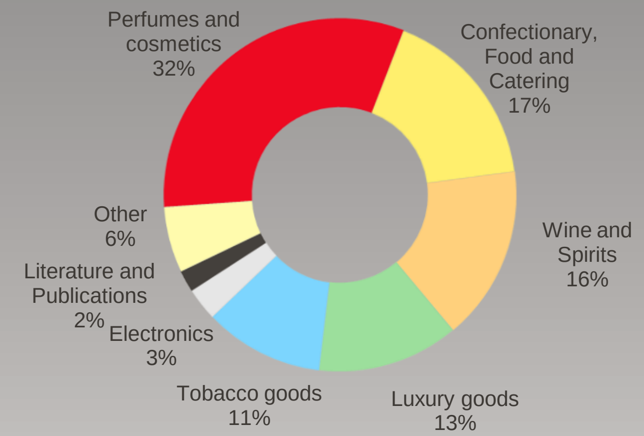
Reduced share of Literature and Publications

Further opportunities in duty-free and duty-paid

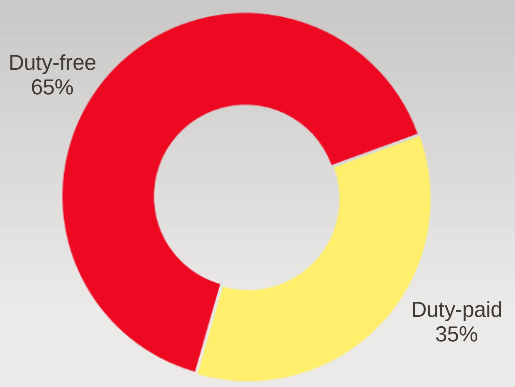
## Dufry by Category Q1 2017



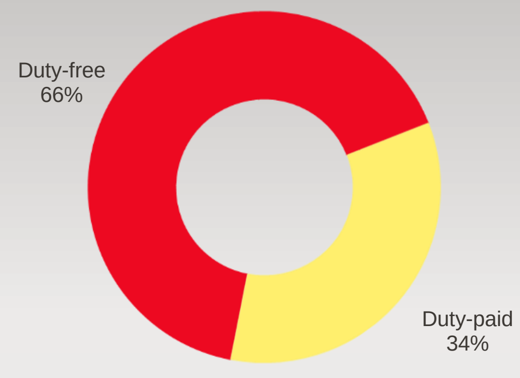

## Dufry by Category Q1 2018




## Dufry by Sector Q1 2018




## Dufry by Sector Q1 2018




Note: Based on net sales

# Priorities for 2018 (1)

**Acceleration of BOM roll out**

- **Business operating model (BOM) to be fully implemented by end of 2018**
  - BOM implementation delivers first efficiencies in Q1 2018
  - Focus on standardization across the Group
    - IT systems (ERP)
    - Organization
    - Process and procedures
    - Supply Chain
      - Leverage full buying and logistics scale
      - Advertising & promotion;
      - Masterdata / Global catalogue homogenization
    - Global implementation of E-Motion
  - Strengthened role of divisions through division BOM implementation teams
  - Clear and simple BOM governance to monitor progress
  - Expected efficiencies of CHF 50 million; of which CHF 26 million in 2018
  - BOM launched in 32 countries; of which already 12 are certified
  - Currently being implemented in Europe, Middle East and South America

# Priorities for 2018 (2)

Customer focused, digital driven

New strategic initiatives for business expansion

Cash generation and deleveraging remain priorities

- **Dufry to further increase digital capabilities beyond customer focus**
- **Ongoing development of digital tools and expand footprint within company**
  - Key priorities of E-Motion 2018
    - Accelerate E-Motion to global scale; further drive digitalization of Dufry
    - Drive innovation and expand partnerships
  - Further steps of execution
    - New generation store Heathrow T3 opened; Cancun T3 scheduled for 2018
    - Strengthen communication of brand stories, novelties etc.
    - Reserve & Collect: further improve catalogue relevancy, value proposition, user experience
    - Further expand RED by Dufry and CRM
    - Social media: Drive support of brands on paid campaigns
    - Ongoing roll-out of sales staff tablet
- **New strategic initiatives to expand the business**
  - Multiple sectors (duty-free; duty-paid, downtown)
  - Multiple channels (cruise lines; border shops; as well as F&B and master concessions in the US)
  - Increase footprint in Asia
- **Ongoing focus on cash generation and deleveraging**

# 2 FINANCIALS Q1 2018

# Turnover growth

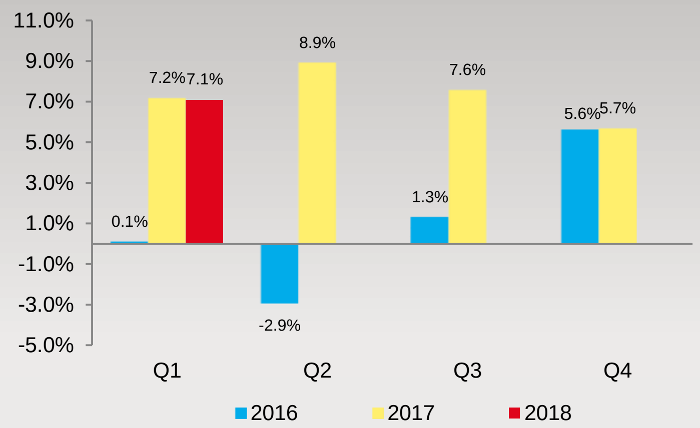
Strong organic growth in Q1 2018, despite higher comparables

Solid performance in all divisions

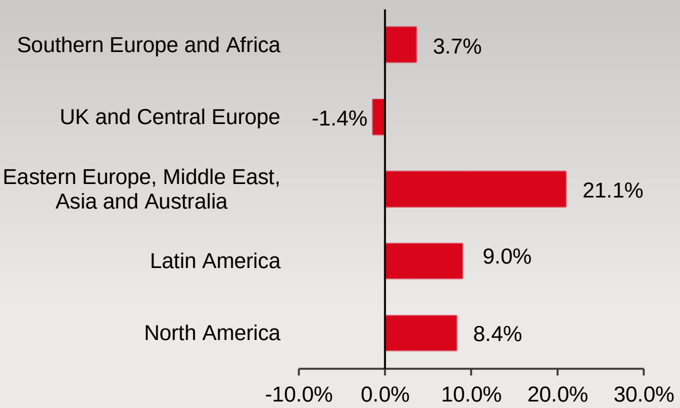
## Growth components

| | Q1 '17 | Q2 '17 | Q3 '17 | Q4 '17 | Q1 '18 |
|---|---|---|---|---|---|
| Like for Like | 7.2% | 8.7% | 6.4% | 5.5% | 4.9% |
| New concessions, net | 0.0% | 0.2% | 1.2% | 0.2% | 2.2% |
| **Organic growth** | **7.2%** | **8.9%** | **7.6%** | **5.7%** | **7.1%** |
| Changes in scope | -0.6% | -0.5% | 0.0% | 0.0% | 0.0% |
| **Growth in constant FX** | **6.6%** | **8.4%** | **7.6%** | **5.7%** | **7.1%** |
| FX impact | -1.9% | -1.6% | 0.5% | 2.3% | -0.5% |
| **Reported Growth** | **4.7%** | **6.8%** | **8.1%** | **7.9%** | **6.6%** |

## Organic growth evolution




## Organic growth by division



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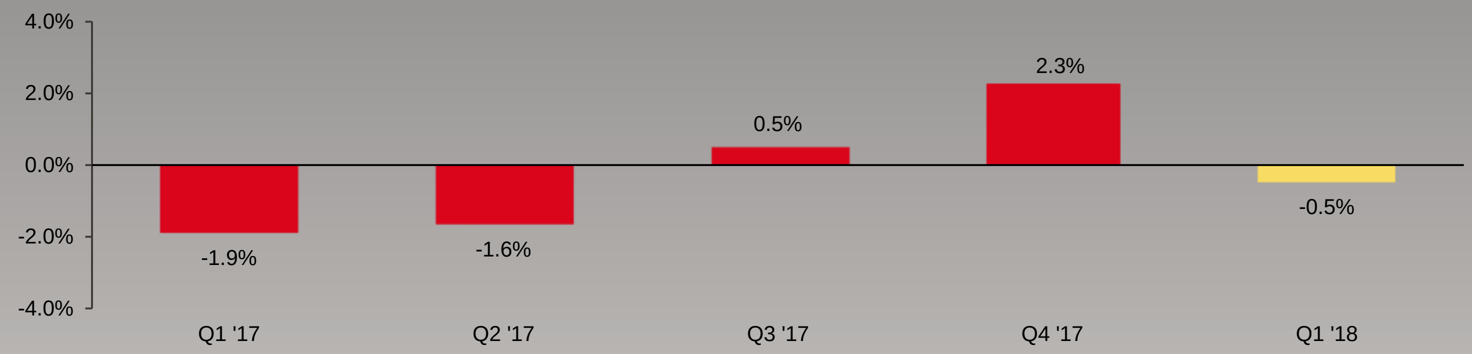
# FX development

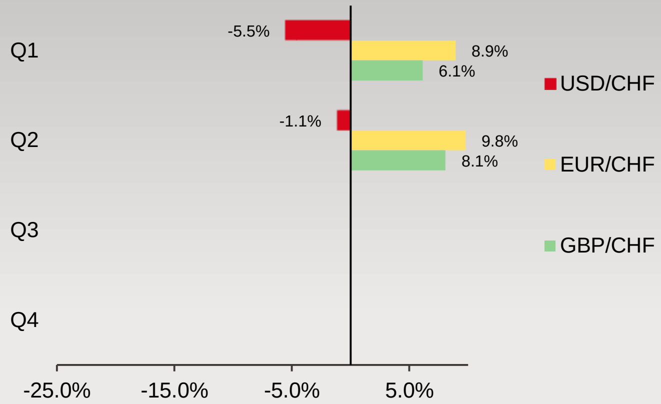
Translational FX impact negative in Q1 2018 due to seasonally higher weight of USD

At current rates, translational FX impact to be positive in 2018

## Translational FX impact

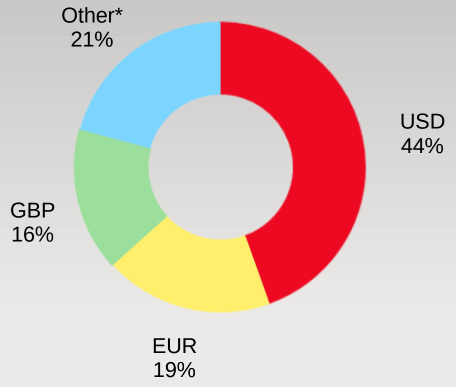



## Main currencies development




* Until 04/May

## Turnover by currency Q1 '18




* Other includes CHF, CAD, AUD, HKD, etc.



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# Income statement Q1 2018

Strong turnover growth driven by organic growth

EBITDA margin improved by 100 bps

Cash earnings adds back the portion of amortization related to acquisitions

## Income statement Q1 2018

| (CHF million) | Q1 2018 | % | Q1 2017 | % |
|---|---|---|---|---|
| **Turnover** | **1,820.0** | 100.0% | **1,706.8** | 100.0% |
| **Gross profit** | **1,089.9** | 59.9% | **1,017.2** | 59.6% |
| Concession fees | (494.3) | -27.2% | (466.4) | -27.3% |
| Personnel expenses | (284.8) | -15.6% | (268.6) | -15.7% |
| Other expenses | (128.4) | -7.1% | (127.7) | -7.5% |
| Share of result of associates | 0.7 | 0.0% | 0.2 | 0.0% |
| **EBITDA**[(1)] | **183.1** | 10.1% | **154.7** | 9.1% |
| Depreciation & impairment of PP&E | (43.9) | -2.4% | (40.4) | -2.4% |
| Amortization & impairment of intangibles | (89.6) | -4.9% | (89.1) | -5.2% |
| Linearization | (39.9) | -2.2% | (41.0) | -2.4% |
| Other operational result | (11.2) | -0.6% | (6.7) | -0.4% |
| **EBIT** | **(1.5)** | -0.1% | **(22.5)** | -1.3% |
| Financial result | (31.4) | -1.7% | (41.6) | -2.4% |
| **EBT** | **(32.9)** | -1.8% | **(64.1)** | -3.8% |
| Income tax | (12.7) | -0.7% | 10.2 | 0.6% |
| **Net Earnings** | **(45.6)** | -2.5% | **(53.9)** | -3.2% |
| Non-controlling interests | (1.9) | -0.1% | (6.9) | -0.4% |
| **Net Earnings to equity holders** | **(47.5)** | -2.6% | **(60.8)** | -3.6% |
| Acquisition-related amortization | 77.4 | | 76.2 | |
| **Cash Net Earnings** | **29.9** | 1.6% | **15.4** | 0.9% |

(1) Before other operational results



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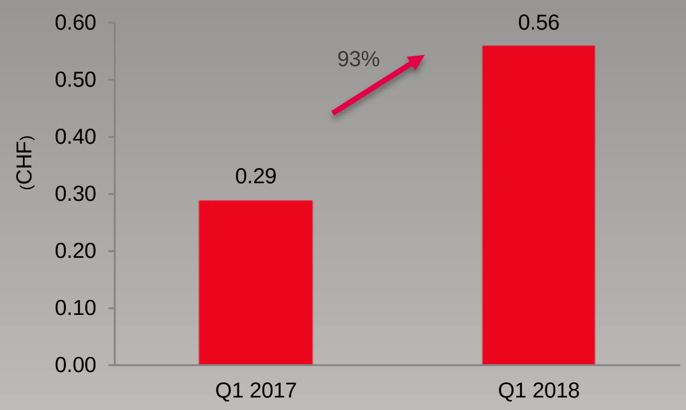
# Cash earnings – ongoing positive evolution

Cash EPS improve 93% from CHF 0.29 in Q1 ‘17 to CHF 0.56 in Q1 ‘18

## Cash EPS Evolution




## Cash EPS analysis

| (CHF million) | Q1 2018 | Q1 2017 |
|---|---|---|
| **Net earnings to equity holders** | **-47.5** | **-60.8** |
| Acquisition-related amortization | 77.4 | 76.2 |
| **Cash net earnings** | **29.9** | **15.4** |
| Weighted number of shares (m) | 53.2 | 53.8 |
| **Cash EPS (CHF)** | **0.56** | **0.29** |
| Additional possible adjustments (CHF) | | |
| Deferred taxes effect on acquisition-related amortization | -0.26 | -0.25 |
| Linearization | 0.75 | 0.76 |

- Cash EPS grows by 93%
- Cash EPS only adds back the portion of amortization related to acquisitions
  - Additional possible adjustments for better proxy of economic profit



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# Cash flow statement

Improved cash generation in Q1 '18

Q1 and Q4 typically the least important quarters in terms of cash generation

## Cash flow statement

| (CHF million) | Q1 2018 | Q1 2017 |
|---|---|---|
| **EBITDA before other operational result** | **183.1** | **154.7** |
| Changes in net working capital | (130.8) | (137.6) |
| Taxes paid | (23.3) | (24.3) |
| Other operational items | (18.4) | 2.1 |
| **Net cash flow from operating activities** | **10.6** | **(5.1)** |
| Capex | (63.0) | (77.4) |
| Interest received | 7.4 | 5.5 |
| **Free Cash Flow** | **(45.0)** | **(77.0)** |
| Proceeds from sale of interests / (investments) in subsidiaries and associates | - | 0.1 |
| Interest paid | (44.2) | (43.6) |
| Cash flows related to minorities | (6.7) | (7.0) |
| Other financing items | (1.2) | (0.1) |
| **Equity Free Cash Flow** | **(97.1)** | **(127.6)** |
| Net proceeds from Hudson IPO | 665.2 | - |
| Net purchase of treasury shares | (120.6) | - |
| Transaction costs Hudson IPO | (5.8) | - |
| **Change in Net Debt,** before currency translation | **441.7** | **(127.6)** |
| Currency translation | 40.4 | 59.3 |
| Arrangement fees amortization and other non cash items | (4.8) | (19.6) |
| **Change in Net Debt,** reported | **477.3** | **(87.9)** |
| Net debt | | |
| – at the begining of the period | 3,686.9 | 3,750.4 |
| – at the end of the period | 3,209.6 | 3,838.3 |



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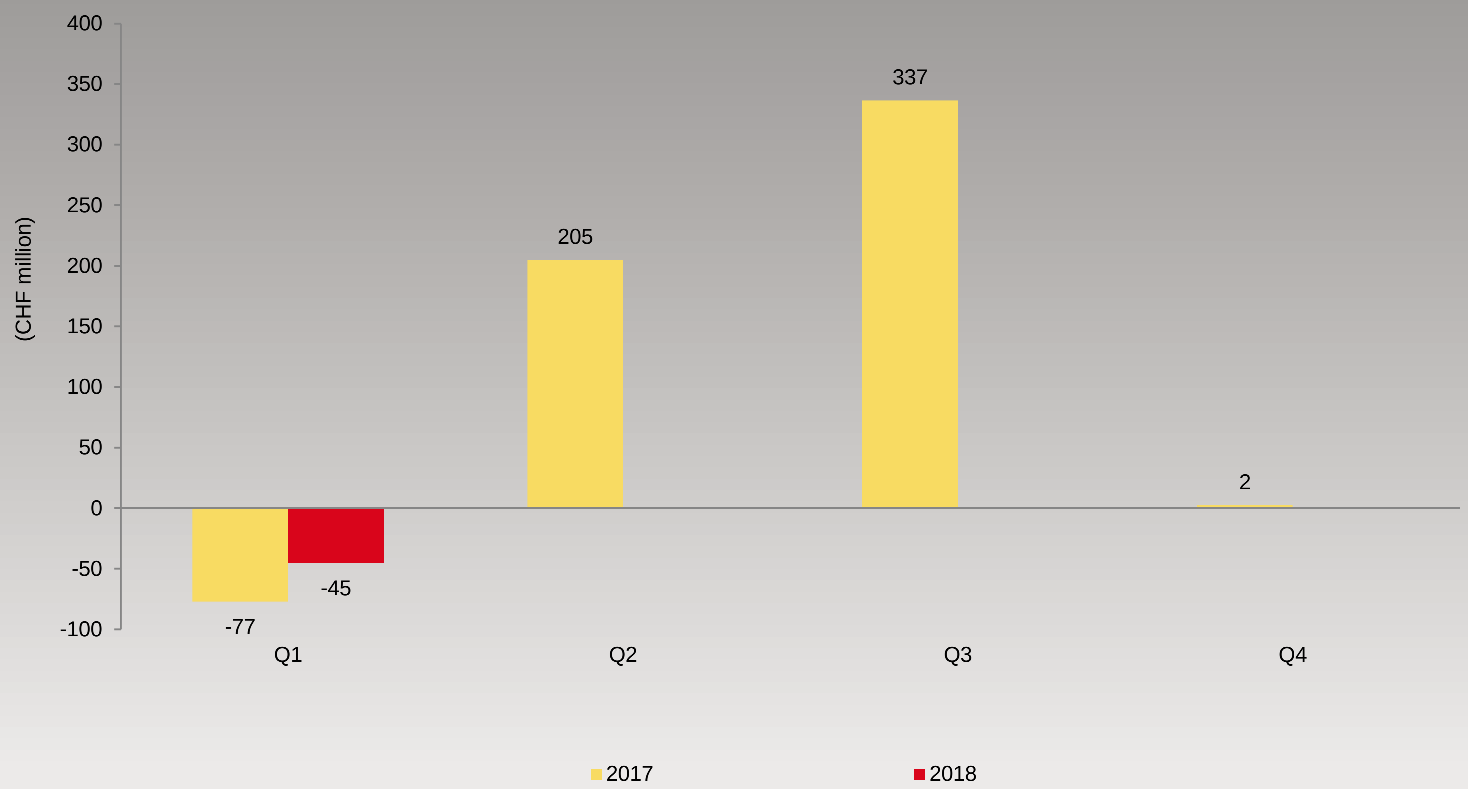
# Schematic cash flow changes

Strong seasonality in cash generation

Q2 and Q3 typically strongest quarters

Positive trends point to higher free cash flow for FY 2018

## Seasonality of cash flow by quarter

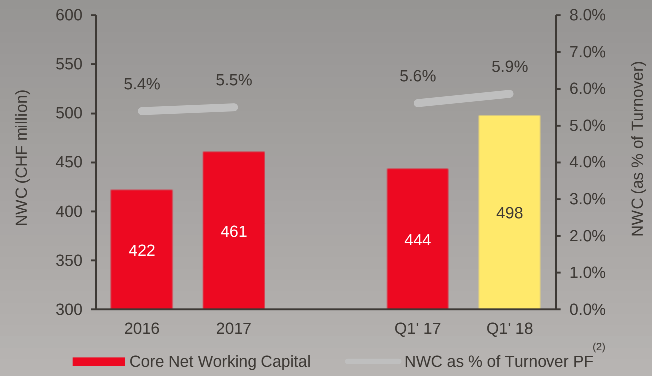


# Capex & Net Working Capital

Core Net Working Capital within expected range

Capex in line with target range

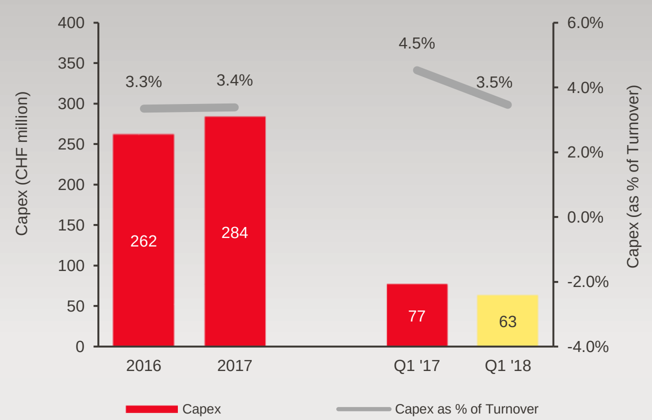
## Core Net Working Capital[(1)]




(1) Inventories + Trade and credit card receivables - Trade payables

(2) Adds LTM Turnover of acquisitions

## Capex evolution




- Core net working capital within expected levels
- Going forward, expectation for core net working capital to stabilize around 5% of turnover confirmed
- Capex target of 3.0% - 3.5% of turnover maintained and confirmed going forward



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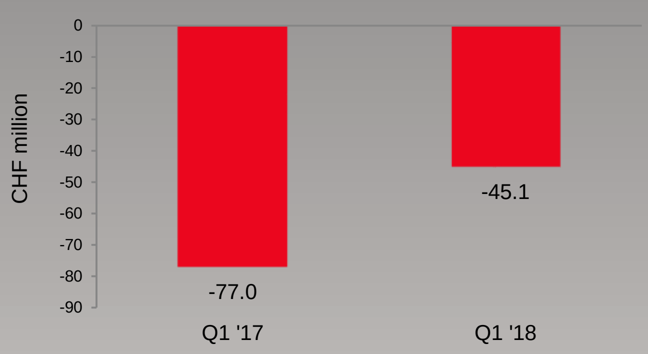
# Cash Flow Metrics

Cash flow improved YoY

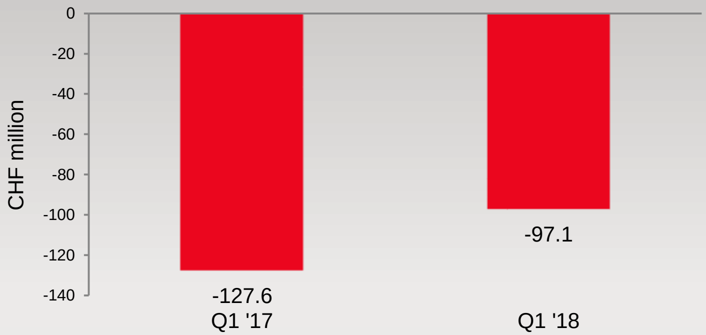
Typically Q1 and Q4 are weakest quarters due to seasonality

Expectations for cash flow generation for FY 2018 unchanged

## Free cash flow (before int./ minorities)




## Equity free cash flow




- Seasonality of cash flow very pronounced; Q1 and Q4 typically weakest quarter
- Negative cash flow in Q1 17 and Q1 18 driven by working capital changes
- Q1 18 changes in working capital – seasonality driven:
  - Change in core NWC
  - Change in other NWC mainly due to seasonal effects
  - Free cash flow and equity free cash flow expectation for FY 2018 remains unchanged



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# Balance sheet

Intangible assets mainly generated by acquisitions

Hudson IPO impacting Equity to equity holders and Equity to minorities

## Summary balance sheet as per 31.03.2018

| (CHF million) | 31.03.2018 | 31.12.2017 | Variation |
|---|---|---|---|
| Concession right finite life | 3,411 | 3,499 | -88 |
| Goodwill, Brands, Conc. rights indef. life | 2,973 | 2,991 | -18 |
| Other intangible assets | 106 | 108 | -2 |
| Other non current assets | 367 | 373 | -5 |
| Core Net Working Capital | 498 | 461 | 37 |
| Other current assets | 546 | 549 | -2 |
| PP&E | 648 | 668 | -20 |
| **Total** | **8,549** | **8,648** | **-99** |
| | | | |
| Equity | 3,829 | 3,356 | 473 |
| Net Debt | 3,210 | 3,687 | -477 |
| Non current liabilities | 274 | 256 | 19 |
| Deferred tax liabilities, net | 324 | 334 | -9 |
| Other current liabilities | 912 | 1,016 | -103 |
| **Total** | **8,549** | **8,648** | **-99** |

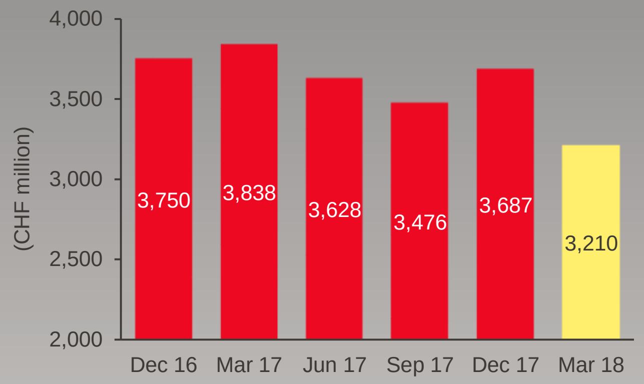
# Financing & Covenants

Net debt reduced to CHF 3,210 million

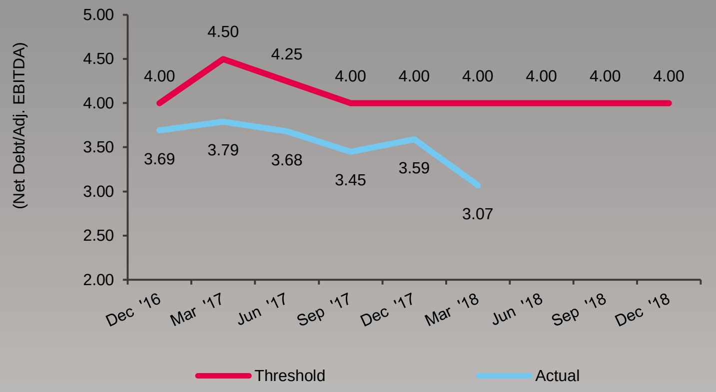
Net debt/ EBITDA reduced to 3.07x

No debt maturities until 2022

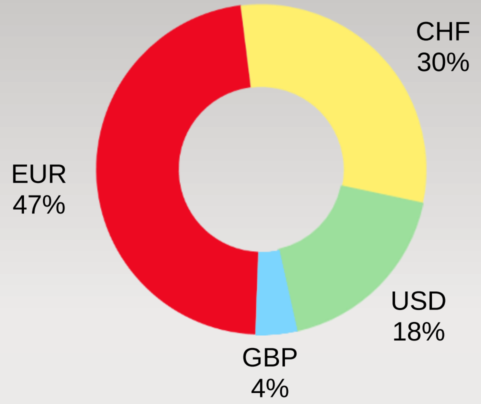
## Net Debt Evolution



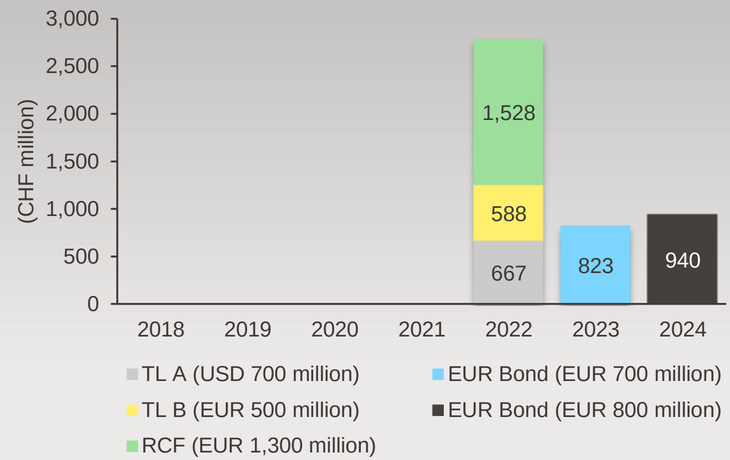

## Covenants evolution




## Debt by currency




## Debt maturity profile



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# 3 CONCLUSION

# Conclusion

| | |
|---|---|
| Successful Q1 and progress on targets for the year | • Good start into the year<br>• Strong organic growth continues<br>• Margin improvement as expected<br>• Positive prospects for cash generation in the year |
| Priorities for 2018 confirmed | • Priorities set for 2018<br>• New organization with new, reduced Global Executive Committee and new Divisional Committee in place and operational<br>• Implementation of new business operating model (BOM) on track; full implementation by end 2018<br>• Drive new strategic initiatives to expand business across sectors and channels<br>• Accelerate implementation of customer focused and digital initiatives to drive sales<br>• Focus on cash generation and deleveraging |
| Start returning cash to shareholders | • Return cash to shareholders<br>• CHF 3.75 dividend per share approved at AGM on 3 May 2018<br>• Up to CHF 400 million share buyback program to be launched on May 11, 2018 |

# Thank you

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