Media Release

Basel, May 14, 2019

Dufry starts positively and accelerates organic growth in the first quarter 2019

Dufry posted a positive start in 2019 with turnover in the first quarter reaching CHF 1,882.6 million, driven by organic growth of 2.0%. Gross profit margin further improved and reached 60.3%. Adjusted operating cash flow amounted to CHF 159.3 million.

In the first quarter of 2019, organic growth continued to improve and reached 2.0%. The result shows a gradual improvement from the 1.8% seen in Q4 2018, and is all the more positive considering the shift of Easter into the second quarter and high comparables in the previous year. Excluding the impact of South America organic growth would amount to 5.6% and like-for-like to 2.0%.

By geography, performance followed a similar pattern than in previous quarters with divisions Asia-Pacific and Middle East as well as North America leading the trend. South America remains weak, while Central America performed well. Europe and Africa also saw a growth improvement.

Dufry continued working on expanding and revamping its operations. In the first quarter 2019, the company refurbished 14,400 m^2 and plans to refurbish an additional 34,700 m^2 in 2019. Dufry also opened and expanded 9,100 m^2 of gross retail space and has signed contracts for opening a further 18,800 m^2 in 2019/20.

The release of Dufry's first quarter 2019 results marks the implementation of the IFRS 16 framework in the financials. Given that the new accounting standards have a significant impact on Dufry's Income Statement and Balance Sheet, some of the reported figures are not comparable with 2018. While this press release explains the main results, a more thorough analysis will be made at the results' conference call and is available in the Q1 results presentation. Access all Q1 2019 results documents, including press release, presentation, Financial Report 3M 2019 – **here**.

TURNOVER

Turnover in the first quarter of 2019 reached CHF 1,882.6 million versus CHF 1,820.0 million in the same period in 2018, representing a total growth of 3.4%. Organic growth was 2.0% to which like-for-like growth contributed -1.3%, while net new concessions added +3.3%. Translational FX effect was +1.4% in the period, mainly due to the strengthening of the US dollar versus the Swiss Franc.

Europe and Africa

Turnover in the region reached CHF 702.2 million in the first quarter of 2019, from CHF 718.5 million one year ago. Organic growth in the division reached +2.4%.

In Spain, performance improved and sales were positive, supported by increased passenger numbers and the introduction of several commercial initiatives. Turkey continued the trend seen in the recent quarters and posted double digit growth. France, Italy, Malta and Africa were also positive. In the UK, performance was healthy supported by ongoing marketing initiatives.

Asia-Pacific and Middle East
Turnover increased to CHF 305.0 million in the first quarter of 2019, versus CHF 256.5 million in the same period in 2018. Organic growth in the division continued with the positive momentum with double digit growth, achieving 17.3% mainly from the contribution of new concessions in the first quarter of 2019.

Eastern Europe was positive, with good performance in Serbia. Asia-Pacific achieved double digit growth driven by new openings, such as the successful opening in the MTR high-speed railway station in Hong Kong. China, Bali and Cambodia also posted good growth. In Australia, sales grew double digits supported by the start of operations in Perth.

North America
Turnover reached CHF 442.4 million compared to CHF 404.4 million in the first quarter of 2018. The performance in the region remained resilient, with organic growth reaching 5.3%, mainly supported by the healthy performance of the duty-paid business.

Central and South America
Turnover reached CHF 384.0 million in Q1 2019 from CHF 408.1 million one year earlier and organic growth reached -10.8%. Mexico and especially the Caribbean operations posted good performance driven by the Cruise business. In South America, most operations continued to be impacted by the devaluation of local currencies, particularly in Brazil and Argentina.

FINANCIAL RESULTS

With the introduction of IFRS 16 most lines of the Income Statement and the KPIs become non-comparable with 2018 reported figures; except for the KPIs related to cash flows. While in this press release the main explanations on the results are given, a more thorough analysis will be made at the results' conference call and is available in the Q1 results presentation.

On top of the reporting changes, it is important to remind that Dufry has a very seasonal business: most of our businesses are located in the Northern hemisphere and the third quarter has the highest passenger flows. Consequently, the first quarter is the least important period of the year for turnover, profitability and cash generation, which is typically negative in this quarter.

Gross profit increased by 40 basis points
Gross profit reached CHF 1,135.6 million from CHF 1,089.9 million in Q1 2018. Gross profit margin reached 60.3% in Q1 2019 from 59.9% one year earlier. The improvement of 40 basis points is mainly due to the continuous improvements in global negotiations with suppliers, brand plans and launch of exclusive products.

Adjusted operating profit (adjusted EBIT)
Adjusted operating profit (adjusted EBIT) reached CHF 46.0 million and adjusted operating profit margin (adjusted EBIT margin) reached 2.4% in the first quarter of 2019.

As mentioned, Dufry started to report under the new IFRS 16 framework, which mainly changes the accounting treatment of leases. In short, while before leases were accounted as expenses, now fixed components are capitalized and amortized over the lifetime of the contract.

Lease expenses reached CHF -325.0 million. These expenses are related to variable concessions and the variable part of concessions which contain a minimum annual guarantee.

Personnel expenses reached CHF -307.7 million in Q1 2019, from CHF -284.8 million one year earlier. As a percentage of turnover, personnel expenses increased by 70 basis points to 16.3%. Most of the increases relate to North America, impacted by increase in minimum wages as well as a one-off charge of USD 7.6 million (25 basis points) of accrued severance expenses related to changes in the local management structure.

Other expenses reached CHF -131.6 million in Q1 2019. Other expenses mainly replace the former income statement line “general expenses” and also includes the former “other operational result”. Certain expenses, not related to concessions, previously shown in the former “selling expenses” line are also included under Other Expenses. On a comparable basis, Other Expenses as a percentage of turnover improved by 10 basis points versus Q1 2018.

Depreciation (excluding right of use) reached CHF -47.4 million, remaining practically stable as a percentage of turnover (-2.5%) when compared to Q1 2018 (-2.4%). Amortization stood practically flat in absolute terms at CHF -90.8 million as compared to Q1 2018 (CHF -89.6 million). Depreciation of right of use was CHF -264.0 million, which relates to the leases that are capitalized.

Net profit

Net profit to equity holders reached CHF -109.5 million in the first quarter of 2019. Financial results, net, reached CHF -79.7 million. Excluding the effects of IFRS 16, financial results were largely flat. Income tax reached CHF 1.0 million, versus CHF -12.7 million in Q1 2018. In Q1 2019, deferred tax presented a higher income than in Q1 2018 due to a one-off charge related to the IPO of Hudson. Minorities were CHF 0.1 million in the first quarter of 2019, versus CHF -1.9 million one year earlier.

Adjusted net profit reached CHF -8.8 million in Q1 2019, while the respective Adjusted EPS was CHF -0.18.

Cash Flow

Contrary to the Income Statement, the effects of IFRS 16 in the cash flow are minimal. Cash flow KPIs will therefore continue to be key for measuring the performance of the business. It is also worth reminding that, due to the seasonality in the business, the first and fourth quarters tend to be the weakest in terms of cash generation, while cash generation improves in the second quarter and peaks in the third quarter.

Adjusted operating cash flow reached CHF 159.3 million in the first quarter of 2019 compared to the CHF 164.7 million in Q1 2018. Changes in working capital reached CHF -171.0 million. The increase compared to previous year is related to new concessions and the performance in Brazil. Changes in working capital are very seasonal, with Q1 and Q4 being typically negative. Capex was lower and amounted to CHF 58.5 million versus 63.0 million one year earlier. Income tax paid reached CHF -0.5 million from CHF -23.3 million in Q1 2018, mainly due to a tax refund of about CHF 17 million.

Equity free cash flow reached CHF -123.0 million in Q1 2019, from CHF -103.3 million one year earlier.

Net debt

Net debt (excl. Lease Liabilities) amounted to CHF 3,423.1 million at the end of March 2019, compared to CHF 3,286.1 million in December 2018.

Our new covenant, net debt / Adjusted operating cash flow was 3.59x as per 31 March 2019. Following the implementation of IFRS 16, Dufry has agreed on the new covenant calculation with its bank syndicate. The maximum threshold for the covenant is 4.50x. The increase as compared to the previous level of 4.0x is purely related to the new calculation method and does not change the risk profile.

Organic growth continues to gradually improve

Julián Díaz, CEO of Dufry Group, commented: “The good operational performance with an organic growth of 2.0% is a positive development, to which all divisions – except for the South American markets – have contributed. In particular, Asia-Pacific and the Middle East as well as North America have continued with their strong performance, while recovery has started in Europe.

A combination of commercial and marketing initiatives launched in several markets as well as strong contributions from new concession, supported the ongoing improvement in organic growth. Worth mentioning are the new operations at the MTR station in Hong Kong, the new airport in Perth as well as the addition of new cruise ships to our portfolio.

In terms of business development, we added 9,100 m^2 of gross retail space and already signed 18,800 m^2 to be opened in 2019 and 2020 in existing and new locations across the globe; of which the new concession for 6 additional vessels of the Holland America Line is worth mentioning. At the same time, we also successfully extended existing contracts and we have refurbished 14,400 m^2 of retail space in the first quarter and plan to revamp further 34,700 m^2 along 2019.

We have also continued with returning capital to shareholders through a dividend payment of CHF 4.00 per share, which represents an increase of 6.7% on last year’s CHF 3.75 per share and is equal to a total payout of CHF 199,141,000. Our shareholders also approved the election to the Board of Directors of Luis Maroto Camino, who will support Dufry with his in-depth IT know-how for the travel and tourism industry.

The improving market conditions seen in the first months of 2019 in all Divisions, with the exception of Brazil and Argentina where the environment remains challenging, have continued and are encouraging. Organic growth in the month of April reached 2.4%. Our goals of 2019, to further drive growth with a strong customer focus, to leverage our business model to generate efficiencies and accelerate the implementation of the digital strategy remain unchanged. We therefore confirm our mid-term organic growth guidance of 3%-4% as well as the expected range of CHF 350-400 million for the 2019 equity free cash flow generation.’’

GLOSSARY

- **Organic Growth:** Like-for-like + Net new concessions
- **Adjusted operating profit (Adjusted EBIT):** Operating profit (EBIT) + Acquisition-related amortization
- **Adjusted Net Profit:** Net profit to equity holders + Acquisition-related amortization + Lease interest + Deferred taxes on items
- **Net Debt:** Borrowings (short and long-term) - Cash and cash equivalents
- **Adjusted operating cash flow:** Cash flow before working capital changes + Lease payments - Lease payments received
- **Net working capital:** Decrease / (increase) in trade and other accounts receivable + Decrease / (increase) in inventories + Increase / (decrease) in trade and other accounts payable
- **Capex:** Purchase of property, plant and equipment + Purchase of intangible assets - Proceeds from sale of property, plant and equipment
- **Equity free cash flow:** Free cash flow - Interest paid - Cash flow related to minorities - Other financing items

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Dufry Group – A leading global travel retailer

Dufry AG (SIX: DUFN) is a leading global travel retailer operating over 2,300 duty-free and duty-paid shops in airports, cruise lines, seaports, railway stations and downtown tourist areas.

Dufry employs over 30,000 people. The Company, headquartered in Basel, Switzerland, operates in 64 countries in all five continents.

SOS CHILDREN'S VILLAGES

Social Responsibility

Dufry cares for children and supports social projects from SOS Kinderdorf in Brazil, Cambodia, Mexico, Morocco and Ivory Coast. SOS Children's Villages is an independent, non-political and non-demonstrational organization established for orphaned and destitute children all over the world.