

# Dufry World

Corporate E-Magazine of the Dufry Group



DUFRY

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## Dufry's fast pace in Brazil



Nine month results accelerate turnover's growth



Social project in Brazil: Administrative Training Center (CTA)



Wonderful stores in the paradise of Bali



Editorial

# Brazil, ready for huge challenges

## José Carlos Rosa: COO R3 Brazil & Bolivia.

It seems that we are living Brazil's moment. The soccer World Cup will be held in 2014, the Olympic Games in 2016. And there is a clear aim of the authorities to promote business development that has brought huge opportunities, such as the privatization of the country's main airports. In this challenging and extremely appealing context, Dufry has set up an ambitious expansion project, with different strategies to benefit from the momentum in a country that represents around 20% of the Group's EBITDA.

On September 3<sup>rd</sup> 2013, our company announced the signing of long-term contracts in Guarulhos (São Paulo), Brasília, Viracopos and Natal to operate duty free and duty paid spaces over the next 10 years. That means an increase of almost 20,000 sqm of retail space in these locations.

Dufry will also explore potential opportunities in different channels, such as the border shop duty free, the duty paid market (for the domestic travellers' market) with the introduction of the Hudson concept. At the same time, we are taking advantage of some unique events such as the FIFA World Cup, for which Dufry will operate the official stores in the country.

All these challenges come along with time pressure. Nevertheless, I am positive regarding our near future because the team I am leading is highly motivated and ready to achieve our goals.



It is Brazil's moment but it is specially the moment that the Brazilian people – and Dufry's Brazilian team – have been waiting to prove the capacity to work hard, with deadlines and with high quality standards, just like the ones of a leading company like Dufry. ■

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### Symbols and Sections



#### Editorial

Statements and announcements by CEO/COO/CFO, editorials, facts & figures, milestones, company commitments, management changes.



#### Regional News

New or modified shops, concepts, contracts, promotional activities, awards, local highlights or efforts.



#### Key Story

Main topic or interview with important people (usually aligns with the cover image). Focus on special activities, business, occasions.



#### Well Done

Success Stories, local background stories, best practice cases.



#### Dufry People

Presentation of an employee for a special reason: new ideas, doing a good job, special interests, remarkable hobby.



#### Favorite Shop

New or refurbished shop (e.g. Shop of the month) Back cover of printable PDF

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Dufry is a global travel retailer with more than 17'000 people serving customers in more than 1'400 shops in 45 countries.





# Dufry News

Regional News

## HQ: Dufry nine month results – accelerating turnover growth

Dufry grew its turnover by 14% in the first nine months of 2013 to CHF 2,688.7 million, with growth in the 3<sup>rd</sup> quarter being 21%. EBITDA reached CHF 386.0 million and EBITDA margin was 14.4% for the 9 months. Net cash flow from operating activities grew by 21% and reached CHF 346.6 million.

Turnover for the Group reached CHF 2,688.7 million from CHF 2,363.9 million in the first nine months of 2012. In Region EMEA & Asia turnover grew by 50.9% and reached CHF 894.9 million. The business acquired in Greece in April 2013 performed strongly and Dufry's operations in China and Cambodia continued to outperform. In Africa, operations in Egypt were impacted by the political situation, whereas the performance in Morocco continued to be strong.

Turnover in Region America I stood at CHF 569.6 million in the year to September, versus CHF 575.8 million in the same period in 2012: There was a marked improvement in Uruguay, Mexico and Argentina continue to perform solidly and in the British Caribbean, the situation remains with a soft performance. Turnover in Region America II stood at CHF 519.8 million in the first nine months of 2013 compared to CHF 548.3 million in the same period in 2012. The high volatility of the Brazilian Real versus the US Dollar continued to hold back further improvement in this region.

In Region United States & Canada turnover came to CHF 659.0 million in the first nine months of 2013, a growth of 7.3%. The business continues to perform solidly through a combination of passenger growth and an increase in spend per passenger, new concessions and expansions. So far in 2013, 3,700 sqm were added as net new retail space. ■

## Asia: New concessions in Taiwan, Korea and China

Dufry has in recent quarters substantially expanded its footprint in Asia and has now added further concessions in South Korea and China. In South Korea, Dufry will operate duty free shops at Busan International Airport. In China, Dufry was awarded duty paid luxury shops concessions at Beijing Capital Airport and the Company will also join forces with Shenzhen Duty Free at Shenzhen Bao An International Airport. Moreover, on September 16, Dufry and Taiwan Land Development Corporation (TLDC) signed a 12-year contract to operate duty free spaces in the Taiwanese Kinmen Island. With the first phase expected to open during the first half of

2014, the Dufry-TLDC Joint Venture will operate all duty free retail space totaling 3,000 sqm in the Wind Lion Plaza. Including these latest contract wins, Dufry will increase its presence to 14,000 sqm in the region, operating 140 shops in 14 locations, in the Far East, Middle East and Central Asia. The new projects will contribute a combined turnover around CHF 250 million per year. ■



The Wind Lion Plaza in the Taiwanese island of Kinmen is an ambitious project in which Dufry will operate all duty free retail space.



The three main buildings of Wind Lion Plaza will be connected by a 398m shopping street.

## Asia: Ferragamo Boutique in Shanghai

Salvatore Ferragamo boutique in Shanghai Hongqiao Airport Terminal 2, with its magnificent decoration and full display of products, occupies 167 sqm, located at the prime section



The store has 167 sqm and offers a full display of first class products.



### Regional News

of Luxury Boulevard. Project “Luxury Boulevard” promotes first tier luxury brands’ presence in Hongqiao Airport T2. Thanks to the diligent and professionally trained staffs and also the local operations team, the store has seen a strong momentum of the sales in the past five months. ■



The Salvatore Ferragamo boutique in Shanghai has achieved very good results in its first five months.

### America I: Walk-through store development in Puerto Vallarta

The renovation of the Vallarta store is due to be completed by March 2014. The project consists of creating a walk through store in a space of 632 sqm. The main objective is that the architectural design of the store, the colors, floors, ceilings, personalized furniture and promotion areas will improve the shopping experience. Within the commercial plan are included “core” categories, tobacco (with a walk-in humidifier), liquor, confectionary and fragrance plus CEI, fashion jewelry, watches, sun glasses and textiles. There will also be an area called “Discover Mexico” with a variety on Mexican crafts and jewelry. ■



The new walk through store in Puerto Vallarta will improve the passenger’s shopping experience.

### America I: Opening of two shops in Cancun

In January 2014 Dufry will open two new stores at the Charter Terminal of Cancun Quintana Roo. These Duty Paid shops of 97 sqm and 136 sqm respectively offer fragrances, cosmetics and cosmetic treatments, and a wide variety of cigars. ■

### USA: Hudson Receives Diversity/Inclusion Honors from ACI-NA and DFW

Airports Council International-North America (ACI-NA) and Dallas-Fort Worth Airport both recently (and separately) honoured Hudson Group for its long history of working to include women and minorities in the business. ACI-NA represents 95% of the local, regional and state governing bodies that own and operate commercial airports in the United States and Canada, as well as more than 350 aviation-related businesses. It is the largest of the five worldwide regions of Airports Council International. With regard to the award, ACI-NA wrote: “Hudson Group actively has placed a diverse and inclusive workplace at the heart of its corporate culture. Seventy-five percent of Hudson’s overall workforce identifies as a minority ethnicity, as does 40 % of management personnel. A sponsor of AMAC’s annual business diversity conference and a strong supporter of numerous charitable and community development initiatives, Hudson is a noted champion of professional opportunity across ethnicity and gender.”

In response, Hudson Group President and CEO Joe DiDomizio said: “From the very beginning of Hudson Group, a commitment to inclusion on every level has been part of our DNA. In particular, our meaningful ACDBE and minority business partnerships have led to numerous rich and greatly rewarding personal relationships. We are honored by ACI-NA’s recognition of what we consider to be a highly valued part of our business.”

On a similar note, earlier in the year, DFW announced the winners of its 2013 Champions of Diversity Awards, celebrating the efforts and talents of the many outstanding minority and women-owned businesses, as well as majority-owned businesses, that together “make DFW the first-class airport that it is today.” Among those honored was HG-Regali DFW JV, a joint venture partnership between Hudson Group (HG) Retail LLC and Regali, Inc., led by ACDBE partner Renee Dutia. Hudson Group stated that it proudly partners with Airport Concessions Disadvantaged Business Enterprises (ACDBEs) to bring diversity, local business participation and unique local character to airport concession programs. ■



## Dufry Sports team in high performance!



The Dufry Sports team is facing with joy next year's huge challenges.

Composed of the Duty Paid General Manager André Baldi, the Comercial Manager Márcio Querioz, the Events Specialist Thiago Salim and the Duty Paid Procurement Manager Maria Isabel, the team has been showing excellent results in running stores at sports related events.

Being the official retailer of the FIFA Confederations Cup Brazil 2013, with points of sale in all 6 stadiums of this event, Dufry Sports is now preparing itself for a bigger challenge: the FIFA World Cup Brazil 2014™, which is expected to attract over 1,6 million tourists to Brazil next year. With two permanent shops (1 in Congonhas/SP; 1 in Santos Dumont/RJ), the Dufry Sports team ran 22 temporary shops/kiosks in stadiums and 2 temporary shops in airports (Recife and Salvador) for the FIFA Confederations Cup. Over 300 people had the opportunity to work at Dufry during this event and this number is expected to increase for 2014, as Dufry will operate more than 100 shops/kiosks during the World Cup, selling official products.

Established in 2007, Dufry Sports is in charge of selling official sports-related products. The brand's first participation in tournaments was Rio 2007 Pan American Games, with 72 stores at all the event's sports facilities, and a Mega-store in Copacabana beach, selling more than 500 licensed products.

Since then, Dufry Sports has been present as the official store of other major sports events, such as Stock Car (Brazil's largest category of car racing), Rio Military World Games 2011, Novo Basquete Brasil – NBB, and in a series of running events, such as São Silvestre, São Paulo Marathon, Rio Half Marathon and Volta da Pampulha Running Event. ■

## Manager Dufry Sports



Dufry's People



André Baldi leads the Dufry Sports team.

He is in charge of Dufry's Duty Paid in Brazil, which is one of the businesses that is expected to grow in the coming years. Moreover, André Baldi is also the manager of Dufry Sports, the brand specialized in stores for huge sport events.

*Dufry World: How long have you been in this position?*

André Baldi: I've been responsible for the R3 Duty Paid since 2009.

*DW: What do you like most about it?*

AB: The most interesting part of my job is to develop new businesses and operation formats.

*DW: Which has been the biggest challenge until now?*

AB: The FIFA 2014 World Cup, no doubt. We'll operate nearly 100 stores in different venues, such as stadiums, airports and concept stores in the host cities.

*DW: How is your team facing this challenge?*

AB: Everyone on the team is very excited about being part of this project, with all the major events that will happen. There will be a lot of work, but we're all facing it with great joy.

*DW: How do you see Dufry Sports in five years?*

AB: Next major event is 2016 Olympic Games, that is going to happen at Rio de Janeiro and we aim to be the official retailers as well. Compared to the 2014 FIFA World Cup, it's a bigger event, in terms of retail. Furthermore we have plans on opening new Dufry Sports Stores at the main Brazilian airports. ■





Well Done

## Two decades of equality and opportunities for young Brazilians

**Implemented in 1995 in Rio de Janeiro (Brazil), CTA (Dufry Brazil's Social project) aims to provide additional training for teenagers from poor communities in the neighbourhood of Ilha do Governador, next to Galeão airport. The goal is to prepare them for the labour market.**

Almost two decades of believing in the potential of young disadvantaged people has brought brilliant outcomes. Through the Administrative Training Center (CTA), more than 500 lives have been benefited with the chance to be included in a society that doesn't offer the same opportunities to everybody.



More than 500 young people have found opportunities due to this project. Many of them work later for Dufry.



30 students graduate every year from the CTA.

Every year, 30 students graduate from the program. Believing in education as a partner of society sustainable development, CTA offers a diverse program, with more than 460 hours of classes. The teenagers, between 14 and 17, develop a broad view of environmental and social issues, where citizenship is prioritized. They study social rights and human relationships, retail concepts, administrative aspects, professional orientation and English.

"Social commitment is a primary goal of Dufry. An example is the CTA that the company keeps for vocational training of adolescents who also receive with medical and dental care, life insurance, uniforms, textbooks, meals and transportation vouchers. At the end of the course, these young people have secured jobs, many of them in Dufry, where there are already some managers who came from the CTA," explains Humberto Mota, Advisory President of Region 3. Due to the importance of this project, Dufry has been recognized by the Abrinq Foundation, a local NGO that supports children's rights, with the "Child Friendly Company" seal.

### From the program to a responsibility position

Working at Dufry for eight years now, shop supervisor Robson Valdevino is an example of how CTA makes possible a better future for young people: "I first met the CTA project when I was 17 years old, when I became a student of the project 8<sup>th</sup> class. I've realized that the course could be a great opportunity for personal and professional development. Since the beginning of the course I had the expectation of working for the company and I gave my best to make it

happen. Soon after finishing the course I was hired to work as a temporary employee, for three months. After the end of the contract I performed my military service and 10 months later I was back to the company. After performing several roles on the shop floor, I was invited to participate in an internal recruitment process for a shop supervisor position. And I was approved! Now I'm the shop supervisor in the very same store where I started to work for the company, eight years ago. Today I am a volunteer at CTA, teaching other kids what I do, and firmly believe that CTA has a huge impact in the lives of many youngsters." ■



Robson Valdevino participated in the CTA when he was 17. Now he is Dufry's shop supervisor.



Key Story

# Dufry Brazil, the river of opportunities

**Just like the 200 tributaries that feed the powerful Amazon river, a large number of initiatives has pushed the development of Dufry in Brazil. Almost 20,000 sqm divided into 58 new or renewed stores, exclusive contracts with key players as the Guarulhos airport or FIFA... Dufry has taken the strength of many sources to drive its business and the Brazilian retail market to a new era.**

On September 3<sup>rd</sup>, 2013, Dufry proudly announced the signing of 10 year contracts in Guarulhos (São Paulo), Brasília, Viracopos and Natal to operate duty free and duty paid spaces, and the opening of a duty paid shop in Goiânia. With these new agreements, the company enters a new phase in the development of the Brazilian travel retail market. It will provide a first class shopping experience for passengers in Brazil and substantially increase spend per passenger and overall sales. These projects will support the development of the duty paid business in Brazil, where around 90% of all air passengers are domestic and the build-up of the duty paid sector will be an important element in the development of the Brazilian business going forward. In addition to branded duty paid stores, Dufry will introduce in Brazil its Hudson convenience store concept with six new shops in São Paulo, Brasília and Natal. Besides that, border duty free shops will be a completely new opportunity in the country. With Dufry's worldwide and local expertise this will be another channel to further grow the business.



Julian Diaz, CEO of Dufry Group; Antonio Carlos Mata Pires (background), Vice-President of the OAS; Juan Carlos Torres, Chairman of the Board of Directors of Dufry; Carlos Fernando Costa, Investment Director of Petros; Jonas Barcellos, President of Brasif Companies, Humberto Mota, President of the Dufry Brazil; Carlos Borges, Director of FUNCEF; Gustavo Nunes da Silva Rocha, President of Invepar; and Antonio Miguel, President of GRU Airport.

As a symbol of this expansion, the opening of the landing store of Terminal 2 at Guarulhos International Airport, in São Paulo, with 3,142 sqm, stands out. It is Dufry's largest shop worldwide and with the latest technology equipment. But, as José Carlos Rosa, COO of Dufry's Region 3, points

out, it is much more than that: "Guarulhos is the busiest airport in South America. The fact that its new and private management team has chosen Dufry as its exclusive duty free operator, has proved that Dufry is considered the ideal partner for such a big project. This reinforces our role as the standard in the travel retail market in South America." Moreover, next year, at the same airport, Dufry will start operating Terminal 3 with the occupation of a total area of 7.161 sqm in boarding stores (1.080 sqm) and landing stores (4.367 sqm). The terminal will also feature an area of 1.714 sqm, with several international boutiques operated by Dufry.



Due to the expansion in Brazil, Dufry will operate almost 20,000 sqm of commercial area.

## World Cup

Another hit is the agreement with FIFA to operate the official stores during the soccer World Cup 2014. "The FIFA World Cup 2014 will be one of the biggest logistical challenges for Dufry, for which we are preparing and we hope to get the best results. We rely on the experience gained in the operation of the Confederations Cup in 2013 and other sporting events," says Humberto Mota, Advisory President of Region 3, who adds that Dufry "is holding negotiations with the COI [International Olympic Committee] to operate the official stores and the official products in Olympics Rio 2016."

He summarizes that the history of Dufry Brazil has been "a growing success story since it bought Brasif Duty Free in March 2006." The announced projects and contracts show that success but also pressure will be terms with a constant presence in Dufry Brazil's near future. Therefore it is vital, José Carlos Rosa observes, to accomplish this huge expansion process without losing the focus on the most important things: "It may appear to be a romantic idea, but my main objective is to get the same quality standard in every square meter of each store. The passenger will have the same satisfactory shopping experience in the impressive Guarulhos walk through or in a smaller duty paid shop. This is our main, simple and yet difficult goal." ■



Favorite Shop

## A white flagship in the Gateway to Paradise

Dufry signed last May, an agreement with Angkasa Pura I to operate duty free and duty paid shops for 5 years at the new international terminal at Ngurah Rai International Airport in Bali. The first of these stores opened on the 29<sup>th</sup> of October. It is, with 1,150 sqm, the largest one managed by Dufry in Asia and the flagship of the company in Bali.

Moreover, it has a fabulous design, which is perfectly integrated with the airport's ambience, combining modernity with traditional motives. Dufry replicates this in the store with ceiling features in wood resembling boats

riding on waves; gold color traditional style ornaments in the floor tiles and as blinds on top of the wall fixtures. In addition, the store does not have a full ceiling and it looks stunning at sunset with a mixture of natural sunset and artificial lights. Dufry will later open seven shops, four of them airside, and the other three in the arrivals area. Ngurah Rai International Airport handled 16 million passengers in 2012, an increase of 12% compared to the previous year. International passengers accounted for more than 50% of this total, making the airport the busiest in Indonesia in terms of international passengers. ■