

Dufry World

Corporate E-Magazine of the Dufry Group



DUFRY

Issue 14 / April 2015

150

Dufry's 150th Anniversary



Dufry to Acquire World Duty Free



Gustavo Fagundes, new COO of Region America II



Dufry's most Challenging IT Project



Editorial

150 Years of Thriving Leadership

By Julián Díaz

First of all, Dufry's turnover reached an all-time high in 2014. These solid results are based on execution and expansion plans. Moreover Dufry positioned itself as market leader of the travel retail industry through the Nuance acquisition. The Nuance integration, which is proceeding well and according to plan, will be the key project for 2015. Furthermore, Dufry will focus on the generation of further efficiencies and on expansion in Asia and through the internationalization of the Hudson and Dufry Shopping retail concepts.

Thanks to the Nuance acquisition, today Dufry is a travel retail company with a worldwide footprint, with roots tracing back 150 years. I would like to take here the opportunity to thank all managers and employees that have ever worked for the company during these 150 years for the tremendous results that we have inherited. And I extend my thanks especially to all stakeholders who contributed over the past 13 years to the growth success story of Dufry. I was highly honored to share this responsibility.

By combining the best of Dufry's and Nuance's know-how, we will transform the industry of travel retail, which is steadily growing thanks to greater accessibility of transport (particularly by air), the increasing importance



and income levels of the emerging markets as well as the continued internationalization of travel. We are leaders in this industry because of a global operational excellence and a successful acquisition strategy.

The future is unwritten, but the forecast looks quite good. ■

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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

INPRINT

Publisher: DUFY AG, Brunngässlein 12, 4010 Basel Switzerland **Editorial Team Headquarters:** Julián Díaz, José Antonio Gea, Andreas Schneider, Jordi Martin-Consuegra, Javier Gonzalez, Renzo Radice, Lubna Haj Issa **Content Team Regions:** Tijani Djaziri (R1), Marcus Griffin (R2), Monica Lobo (R3), Laura Samuets (R4), Minna Levanto (Nuance) **Design, Text Writing and Process Coordination:** Match Communications, Zurich **Production:** Match Communications, Zurich and x-site, Basel **Published languages:** English, French, Italian, Portuguese and Spanish **Website:** <http://emagazine.dufry.com>

Dufry is a global travel retailer with around 20'000 people serving customers in over 1,650 shops in 60 countries.



Dufry News

Regional News

HQ: Dufry to Acquire World Duty Free

Dufry announced on March 30th 2015 that it has entered into a binding agreement with Edizione S.r.l to acquire 50.1% stake in World Duty Free S.p.A (WDF) for € 10.25 per share in cash, valuing the entire fully diluted share capital at € 2.6 billion (CHF 2.7 billion) and implying an enterprise value of € 3.6 billion (CHF 3.8 billion). WDF is one of the world's leading travel retailers, operating in over 500 stores in 20 countries. In 2014, WDF reported turnover of € 2,440 million and EBITDA of € 261 million. With the acquisition of WDF, Dufry enhances its global position in the travel retail industry, attaining approx. 24% of market share in airport retail. The combined entity will operate in 67 countries with nearly 400 locations, providing a balanced exposure to developed and emerging markets and spanning across all five continents. Moreover, WDF's business will reinforce Dufry's existing footprint in the Mediterranean, the Americas, as well as the Middle East and Asia. As Julian Diaz, CEO of Dufry, commented: "The acquisition of WDF is a truly unique and highly transformational transaction for Dufry and is equally a milestone for the travel retail industry overall." ■

HQ: 2014, a Milestone Year for Dufry

In 2014, Dufry generated a turnover growth of 17.5% and reached CHF 4,196.6 million. EBITDA increased by 12.6% to CHF 575.6 million and the EBITDA margin reached 13.7% including the consolidation of Nuance. Like-for-like growth and growth contributions from gross new concessions added 1.1% and 4.4%, respectively. The consolidation of acquisitions contributed 16.4% to turnover growth. Net earnings attributable to equity holders were CHF 50.8 million and excluding non-recurring cost related to the Nuance acquisition, net earnings to equity holders were CHF 96.9 million.

Dufry delivered a strong financial performance in 2014 and it was as well a milestone year for the development of the company which will be remembered for the acquisition of Nuance. The execution of the biggest expansion plan in the history of the company underlines the company's execution capabilities to develop projects in different regions at the same time. In total, 167 shops were opened with over 25,000 m² of new retail space. The new shops will be a major driver for organic growth for the years to come. ■

Europe: New Dufry Gap and Superdry Fashion Shops in Malaga International Airport

A brand new 437 m² Dufry fashion store offering urban leisure collections by Gap and Superdry has been officially inaugurated in January at Malaga International Airport. The new store provides an environment featuring the famous brands' latest fashion concept, American optimism and casual style. The Dufry Gap shop in Malaga is the first Gap shop in the Spanish market and worldwide the largest located in an airport. ■



Dufry CEO Julián Díaz (left) with Spanish Minister for Development, Ana Pastor, and GAP SVP Stefan Laban, at the Gap opening in Malaga Airport.

Europe: New Hudson Shops at the Canary Islands Airports

The Hudson brand opened its first stores in Spain at the Canary Islands airports late last year. Nine new Hudson stores with a total sales area of 1'200 m² and a staff of 49 employees have become operative during the second half of the year. The shops are located in Gran Canaria, Fuerteventura, Lanzarote and Tenerife Norte airports. ■

Europe: Two New Stores at Florence Airport

Dufry has been awarded the concession agreement with Firenze Airports Authority (FLR) to operate two duty-free retail stores of 680 m² at Firenze-Peretola Airport until 2018. The new retail space will offer a comprehensive range of products and a unique shopping experience. Fashion and accessories boutiques from well-known Italian fashion brands such as Etro, Ferragamo and Zegna will complement the core offer. ■

Asia: New Opening in Mainland China

Dufry has entered into a partnership with Shenzhen State-owned Duty Free Commodity Group Co. Ltd. at recently opened Shenzhen Bao An International Airport, to supply perfumes & cosmetics, fashion, accessories, watches and jewelry, as well as to provide management consulting services. The retail space will have a surface of 900 m². ■



Regional News

America I: ANTAD Awards Dufry Mexico Human Resources Team

Dufry Mexico's Human Resources Department has received special recognition from ANTAD (Association of Department Stores and Services) for their participation in a survey, in order to analyze employee turnover and salaries. Dufry Mexico has worked hand in hand with ANTAD, providing all the necessary information to ensure the accuracy of the survey. The results have helped to identify how Dufry Mexico's employee turnover and salaries compare to similar companies'. This information has allowed them to stay competitive with the local market. By implementing programs addressing the findings of the survey, Dufry Mexico has reduced employee turnover. ■



Leticia Barrera accepting ANTAD Award on behalf of Dufry Mexico's Human Resources Team.

America II: Dufry to Double its Retail Space at Tom Jobim Airport in Rio de Janeiro

Dufry signed an agreement last November with Rio Galeão, to operate duty-free retail until 2020 at Tom Jobim International Airport in Rio de Janeiro. This new agreement will allow the company to double the commercial area from 4'000 m² to 8'000 m². Tom Jobim International Airport is undergoing a substantial improvement program on the infrastructure side to accommodate passenger traffic for the Olympic and Paralympic Games in 2016. ■

USA & Canada: Hudson Store Design Embraces Los Angeles Sophistication

A joint venture led by Hudson Group has been awarded the contract to bring new retail concepts to Los Angeles International Airport's Terminal 6. The team will debut a cutting edge LA-centric travel essentials concept called Market 8600. The 195 m² store expands on the original Hudson convenience concept with bold lighting and visual elements reminiscent of the 8600 block of LA's Sunset Plaza, a chic two-block strip of fashionable boutiques and outdoor cafés nestled between Hollywood and Beverly Hills. ■

Nuance: Two Prizes for Nuance at the Sunglasses Awards 2014

Nuance has been recognized in the prestigious Sunglasses Awards for the Best Standalone Sunglasses Concept and Innovation Store. The Concept award went to Nuance's multibrand sunglasses concept store Sun Catcher in Zurich, Mumbai, Antalya and St. Petersburg. This year, the Sun Catcher in Antalya also won the Moodie Report's Dreamstore Award for the best sunglasses offer worldwide. The Innovation Award went to Nuance's Ray-Ban store in Hamburg, to the permanent Gucci cross-category shop in St. Petersburg and also to the multicategory Copacabana Summer Event in both Arlanda and Lisbon airports. ■



Two Sunglasses Awards went to Nuance's multi-brand concept stores Sun Catcher.

Nuance Asia: Nuance Awarded in Hong Kong for Service Excellence

Nuance's service was recognised once more when it won the Service & Courtesy Award from the Hong Kong Retail Management Association (HKRMA), known as "The Oscars of the Retail Trade in Hong Kong". Participants are nominated by their companies for their exceptional performance in retail service. Crystal Wong Chi Ha, Sales Associate at Nuance's Taste & Delights confectionery boutique was the winner of the Food Shops Category at the Junior Frontline Level. Crystal won against a competition of over 700 participants. ■



Crystal receiving the Service & Courtesy Award by HKRMA.



Nuance Asia: Temptation, Nuance's New Multi-brand Beauty Duplex in Macau

Nuance has signed a five-year contract with Shoppes at the Parisian mall to open Temptation, a new opulent beauty duplex. Spanning over 2'600 m², the Parisian resort is set to open in the second half of 2015, attracting an estimated 15 million visitors annually, largely from mainland China. The new space will offer the best selection of brands in all perfumes & cosmetics segments. ■

Nuance North America: Nuance Wins the Prestigious FDFA Airport of the Year Award

For the third consecutive year, Nuance North America has been recognised by the Frontier Duty Free Association (FDFA) as the Best Canadian Airport Duty Free Company. The award was decided by a panel of FDFA brand members, who sell into the Canadian Duty Free stores. ■

Hudson Values Awards



The Hudson Values Awards are presented annually to individuals from all across the company, who exhibited Traveler's Best Friend behaviors and demonstrated best Dufry's Six Core Values during the past year. These are: Service, Respect, Passion, Dedication, Teamwork and Innovation. In 2014 we had 11 winners, from 33 nominees. ■



From left to right: Julián Díaz (CEO Dufry Group) and the 11 winners (Rebecca Navarro, Prashan Selvarajah, Yeshimebet Dagnachew, Erika Melara, Domingo Montalvo, Mike Hatfield, Thomas Babu, Wendy Wong, Melissa Magner, Ryan Scanlan, Laura Samuels), Mario DiDomizio (Advisory President) and Joe DiDomizio (COO Region 4).

Gustavo Fagundes



Dufry People



Gustavo Magalhães Fagundes is the new Chief Operating Officer of Region America II. He holds a degree in business administration and management from EAESP/Fundação Getúlio Vargas in São Paulo, a masters degree in international economics and management from Bocconi

University in Milan, an executive MBA from AmBev Corporate University, and a general management degree from Harvard Business School. He is looking forward to applying his wide experience to Dufry!

Dufry World: How challenging is it to join a company with more than 20.000 employees?

It is great to join such a winning team. In my 25 years' working experience I have had the opportunity to work with large international companies and I really enjoy this kind of environment.

DW: What do you think will be the impact of the forthcoming sport events in Brazil for Dufry's business area? (Olympic and Paralympic Games)

The 2016 Olympic Games in Rio de Janeiro are going to be very important to consolidate Brazil as a tourism destination and leverage our business in travel retail. The infrastructure investments that Brazil is receiving for these events are key for the development of our business model.

DW: As a Chief of Operations for Region America II at Dufry, you have to deal with issues in very different departments, such as HR, IT, Finance, Legal, Purchasing... How is one day in the life of a Regional Chief of Operations?

We have a very competent team of executives running each of these areas. My role is to coordinate them to get the best of their capabilities and guide them in the most complex issues. The business opportunities in our region are huge and my challenge is to get the best out of them.

DW: And how do you finish your day? How do you relax once you leave work?

Whenever I can, I spend time with my family (wife and two young kids). I live in Rio de Janeiro, a very beautiful city, running outdoors is a very pleasant part of my spare time. I always have a book with me, biographies and history books are the ones I like best. ■



Well Done

Global ERP1 Team: Teamwork Across Borders at Its Best

A Strategic Solution for the Small to Midsize Operations

ERP1 (Enterprise Resource Planning solution based on Microsoft Navision) is a solution within Dufry's global IT strategy supporting the regions and operations of the Dufry Group. The main objective of this team is to manage and develop a standard ERP solution for the small to mid size Dufry operations. The team also fulfills the critical business needs of our small and medium sized operations, the legal and customs requirements of their local partners and landlords. Today's ERP1 is a combined and collaborative effort of many that includes a global team of IT professionals from headquarters and different regions/countries.

A Team of Teams

From our Basel head office, a team of five people drives all major parts of the innovation and development of Dufry's ERP1 solution – including business enhancements, release management and technical/functional support to our regions and companies, while its successful implementation/day to day operational maintenance is driven by our regional/country teams who are a critical part of the process.

One Single Solution to Suit All Our Needs

Dufry first started with ERP1 in 2002 using a standalone version of Microsoft NAV. Following the expansion of the Group, a single core version was introduced, the "Dufry Core Suite" (DCS). That gave us the opportunity to build together with our regional colleagues a single global ERP1 version that supports the needs of all business and operational stakeholders across our locations.

The Roadmap for a Two Year Evolves

The solution supports all operational activities – including finance, inventory management /replenishment, purchases and payables, sales and receivables, commercial reporting and integration with Dufry corporate applications such as Global Purchase Order (GPO) and Dufry Commercial Information System (DCIS), Price Policy and Analysis (PPA) or Advertising and Promotion (A&P). Most recently, in 2013 we launched the newest ERP1 version of Microsoft Dynamics NAV2013R2 to a worldwide audience, where it is considered for small and mid-size companies. Today, over 37 companies in 27 countries and more than 1800 users are using the solution, with additional 20 companies expected to follow over the next 2 years.

New Operations and Services for the Future

An ERP system is considered a vital organizational tool in any global company, as it integrates organizational variety of sys-

tems and facilitates error-free transactions and production. It is a business management software that provides an integrated view of core business processes. Significant new enhancements in ERP1 and a reporting tool have now been made globally available at the Dufry Group. In addition, we plan new operations and services as well as remote training capabilities to support users in the different regions. In fact, the team's motto is "Learn together. Work together. Grow together."

Meet the Team

Who are the people behind ERP1 in Switzerland? We are talking about a small but highly specialized and dedicated team of professionals that lead and coordinate – together with regional IT teams and development partners – all ERP1 related project rollouts, version upgrades, user support and enhancements. The team is based in Basel and its members hail from around the world: Italy, India, Ukraine, Northern Ireland and Belgium. The team provides strong technical and functional expertise of NAV and the Dufry travel retail business model. The team members are:



Tiziano Palumbo (Italy)

Global IT ERP1 Manager

Global projects and applications manager. Responsible for budget. Alignment with other IT verticals.



Zaheer Gadhwalla (India)

Global IT ERP1 Functional Specialist

Functional approval of ERP1 change request. Functional alignment with Wincor Point of Sales. Responsible for licensing. Review of system setup on rollout projects.



Michael Mutafian (Ukraine)

Global IT ERP1 Technical Specialist

Release Management. Technical architecture. Development coordination.



Russell Deaney (Northern Ireland)

Global IT ERP1 Support Specialist

Level 3 support and maintenance. Coordination of release. Functional training to partners and users. Coordination and delivery of user documentation.



Jelle De Buck (Belgium)

Global ERP1 Project Coordinator

Coordination of rollout and upgrade projects. Support in project management. Coordination with Regions and other IT areas. ■



Key Story

Dufry's 150th Anniversary: the Long Journey from Local to Global

In 1865, the Weitnauer family opened a tobacco shop in Basel, Switzerland. 150 years later, the little business has grown into the global leading travel retailer with operations in 60 countries: The Dufry Group.

Dufry's headquarters are still in Basel. This says a lot about the way Dufry sees business: focusing on a global strategy while building on the strength of local deep roots and footprint. Through the years, Dufry has built up a very good and dedicated team of employees. By taking a look at the history, all the way from the little Weitnauer tobacco shop in Basel to the Dufry Group of today, it is easy to see that the right people – together with the right strategy – has been the key to success.



Location of the Weitnauer tobacco shop in 1865.

The Weitnauer Family

It took some decades for Johann A. Weitnauer to turn his brother's little tobacco shop in Basel into a major tobacco products import and distribution company operating throughout Switzerland. And it took several decades more for the family to find the right opportunity to keep on growing. The inflection point came after the opening of the world's first duty-free shop at Shannon Airport, Ireland, in 1947. Launched by local businessman Brendan O'Regan, the store catered international passengers held up by refueling before crossing the Atlantic. The Weitnauer Trading Company (as Dufry was known by then) was quickly aware of the emerging travel retail sector's potential and established a duty-free wholesaling business the following year. In 1952, the group expanded into retailing, opening its first duty-free store at Le Bourget Airport in Paris, France. Weitnauer opened another store at Basel-Mulhouse Airport in 1962, and seven years later started operating in Italy with a local partner at Linate Airport in Milan. From then to the turn of the century, Weitnauer became a leading international organization offering duty-free marketing services, sales and distribution resources to major brand owners. Over the years, the company continued to expand its duty-free operations.

Successful Track Record of Growth

A new era began when Advent International, one of the largest and most experienced private equity funds, acquired the company in 2003 and together with the new appointed top management the base was created for the further successful development of Dufry that it is today. One of the most important steps was to go public and Dufry was listed on the Swiss SIX stock exchange in December 2005.

A new strategy was implemented which is based on three pillars: like-for-like growth, new concessions and new acquisitions. In line with this strategy, in March 2006, Dufry acquired the travel retail business of Brasif, the leading Brazilian travel retail operator. One year later, in 2007, the acquisition of one of the main travel retailers in the Caribbean based in Puerto Rico followed. In September 2008, Dufry purchased Hudson Group, the premier travel retailer in North America, with 540 duty-paid stores in 70 airports and transportation terminals throughout the United States and Canada. This step reinforced Dufry's leading global position in travel retail and strengthened its presence in the duty-paid segment. Further important acquisitions were realized in 2011 in Argentina, Uruguay, Ecuador, Martinique and Armenia as well as in Russia (Reg Staer Group) and Greece (Hellenic Duty Free Shops) in 2012 and 2013 respectively. But there was still another key strategic development to come. In September 2014, Dufry's global leadership in the travel retail industry went one step further with the acquisition of The Nuance Group. The combination of both companies has extended Dufry's presence on six continents and over 60 countries, managing and operating over 1,650 shops. Dufry is currently focusing on the integration of both groups, following a tight action plan. Combining the best of both Dufry's and Nuance's know-how will take the travel retail industry to a new level.

From the Past to the Future

Dufry had encountered many challenges and saw good times but the most important is that management and employees have been able to consolidate the largest ever and most profitable travel retail company. Now the challenge is to become an even better company than we already are today. To best implement our strategy in the future, we will also need to benefit from new retail technologies. The prospects are very good and predict an ongoing growth of passengers, allowing us to further expand successful retail concepts internationally. Today and in the future, the alignment of Dufry with the Board of Directors and its shareholders will secure the consolidation of its leading position in the travel retail industry. ■



Favorite Shop

Expanding Retail Space in Toronto

Nuance and airport operator Greater Toronto Airports Authority (GTAA) have extended the retail offering in the Terminal One international concourse at Toronto Pearson International Airport. The new footprint has grown from the previous 1,400 m² to the actual 1,950 m². As a result, sales have increased more than 20% since the full opening. The large new Nuance shopping area includes sought-after and leading brands for perfumes and cosmetics, liquors, tobacco and confectionery, as well as a varied selection of delicious products from Canadian artisans, including local wine and confectionery. The luxury area offers around 700 m² of prestigious fashion,

watches and jewellery brands in their own standalone boutiques. GTAA associate director of retail and food programs Janine Gervais says: "Passengers seem very pleased, when walking through the new retail spaces. And sales are reflecting that". Janine emphasises: "You live the brand experience that is equivalent to the brand you are shopping in, rather than just getting the airport atmosphere. It is very exciting to see our passengers purchasing and walking around with several brands and general Nuance duty-free store bags. They really enjoy the experience. They seem to be really drawn in by this as they explore and browse". ■