



## Media Release

Basel, June 4, 2014

### **Dufry signs agreement to acquire 100% of The Nuance Group – creating significant value and enhancing its global leadership in travel retail**

- **Highly attractive potential synergies of CHF 70 million at Nuance level**
- **Combining Dufry and Nuance will confirm Dufry as the global leader in the airport retail industry reaching 15% of worldwide market share with presence in 5 continents, 63 countries, 239 airports with close to 1,750 shops**
- **Strong fit of Nuance’s business complementary with Dufry’s operations in the Mediterranean, Europe, Asia as well as the United States and Canada**
- **Total purchase consideration of CHF 1.55 billion to be financed with CHF 1 billion in equity and CHF 550 million in new debt**
- **Strong value creation for shareholders – robustly accretive to cash EPS as of 2015 financial year and double digit accretive thereafter**

Dufry has signed an agreement to acquire 100% of The Nuance Group (“Nuance”) for a consideration of CHF 1.55 billion, on a debt- and cash-free basis. Nuance is a global travel retailer and operates close to 75,000 square meters of retail space in 66 locations across 19 countries in Europe, Asia and North America. In 2013, Nuance generated a turnover of CHF 2.1 billion and an adjusted EBITDA<sup>1</sup> of approximately CHF 156 million.

#### **Excellent strategic fit with significant growth and value creation potential**

Following completion, the acquisition will confirm Dufry as the leader in the global duty free and travel retail market, with a global and geographically diversified concession portfolio and strong positions in developed and emerging markets covering all continents.

In 2013, the two businesses had a combined market share of close to 15% in the airport retail industry based on turnover. The geographic presence of Nuance is complementary

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<sup>1</sup> Adjusted for Australian concessions

and strengthens Dufry's positions in strategic key markets in the Mediterranean, North and Central Europe, Asia and the United States and Canada. As a result of the transaction, Dufry will emerge with a leading position in the Mediterranean in addition to its existing leadership positions in Latin America, Caribbean and North America. In addition, the acquisition will strengthen its diversified business in Asia with attractive locations that will provide a strong basis for further growth in the region.

In the Mediterranean, the largest and most important tourist destination in the world, Nuance's operations in Turkey, Malta and Portugal complement Dufry's existing operations in the region, where Dufry has activities in eight countries, such as Italy, Greece, Spain, Morocco and Egypt.

In Eastern Europe, Dufry will have a strong market presence in Russia, and add activities in Bulgaria.

In North Western Europe, Dufry will become the preeminent travel retailer in Switzerland and have activities in Sweden as well as the UK, most notably at London Heathrow Airport.

The combination will also strengthen Dufry's presence in Asia with Nuance's leading presence in the region empowering the group's positioning. Nuance's concessions in mainland China, Hong Kong and Macau will be complementary to Dufry's operations in mainland China, South Korea and Taiwan. In South East Asia, the combined entity will have a presence in Cambodia, Indonesia, Sri Lanka and Nuance will add airport retail activities in India and Malaysia. Overall, the combined business is creating an attractive platform for further development in this important region which has been one of Dufry's key areas of growth.

In North America, Nuance operates mostly duty free formats in locations that fit well into Dufry's existing retail network. The acquisition reinforces Dufry's position in the United States and Canada and will help Dufry to further gain market share in the duty free and duty paid segments.

### **Combination expected to provide attractive synergies and create substantial shareholder value**

Dufry will integrate Nuance into its organisation and expects to generate cost synergies starting in 2015, with the full run-rate impact of approximately CHF 70 million pre-tax synergies per year at the Nuance level being reached by 2016. Dufry expects to realise an improvement in the gross margin through increased purchasing power and the integration of Nuance's purchasing into its supply chain and logistics platform. Furthermore, Dufry expects that the combination of the global and regional organizations, as well as global support functions, will create significant value. The pre-tax integration expenses related to the acquisition are expected to be approximately CHF 20 million in 2014 and CHF 10 million in 2015.

In addition, Dufry expects that the combination will be beneficial for turnover growth, through the exchange of knowledge and the implementation of best practices from both companies.

Dufry has a strong track record in realising synergies and has gained substantial expertise in transferring best-practices within its businesses to maximise commercial impact.

Through the realisation of synergies, the transaction is expected to create significant value to shareholders and is expected to be robustly accretive to cash EPS in 2015 and double-digit accretive thereafter. In terms of valuation, the consideration translates into a 6.9x EV/EBITDA multiple based on EBITDA adjusted for the Australian business and including synergies.

Given the size and breadth of the combined platform, Dufry is well positioned to develop and expand its business further on a global scale. The combined group's retail capabilities and logistics network offer a differentiated proposition when competing for concessions and provides a solid foothold to successfully realise renewals and win new contracts in key strategic areas.

### **Acquisition to be financed with CHF 1 billion in equity and at least CHF 550 million in debt**

The transaction-related funding is fully secured through a committed bridge financing, which will be refinanced by equity financing of approximately CHF 1 billion and accessing the debt capital markets for an amount of at least CHF 550 million. Furthermore, Dufry is planning to refinance its existing bank debt facilities and extend their maturity profile. A total financing package of CHF 4 billion has been fully underwritten.

As for the equity increase, Dufry intends to do a rights issue and will seek approval for an ordinary capital increase at an Extraordinary General Meeting. Dufry intends to also use its existing conditional capital authorisation as part of the contemplated equity financing.

Dufry's reference shareholder group led by Travel Retail Investments, which holds 22.2% of Dufry's share capital, has irrevocably committed to vote in favour of the capital increase at the Extraordinary General Meeting and intends to participate in the equity increase pro-rata with its current holding.

### **Next steps**

Dufry plans to hold the Extraordinary General Meeting on 26 June 2014. The definite terms of the capital increase will be determined immediately prior to the Extraordinary General Meeting and communicated in the morning of 26 June 2014. The first trading day of the new registered shares is expected to be on 9 July 2014.

The transaction is expected to close in 3Q 2014 and is subject to customary regulatory approvals and other customary closing conditions.

## **A transformational step in the development of Dufry**

Julian Diaz, Dufry's CEO, commented: "The acquisition of The Nuance Group by Dufry is a transformational deal not only for Dufry but also for the travel retail industry. This acquisition is a continuation of the global diversification strategy which we have communicated and executed for many years and that is based on profitable growth through three main pillars: like-for-like growth, new concessions and acquisitions.

Dufry has been a key player in the consolidation of the fragmented travel retail industry and we have been delivering significant value through acquisitions. We have been consistently delivering synergies and diversified our concession portfolio worldwide step by step, thus avoiding concentration risk for any specific region or location. With this transformational transaction, we make another big step forward in this respect and bring our global scope to a new level. Also, the scale and breadth of our business will be changing the scope of the travel retail industry going forward.

The combination of both organizations will further strengthen our current concession portfolio, adding new countries and operations that have a very strong fit with Dufry's regional strategy. Nuance will reinforce our presence in Asia, Mediterranean, North and Central Europe and North America.

We have identified substantial synergy potential in the acquired business mainly from gross profit margin improvements and cost synergies. Overall, we expect synergies at Nuance level to be generated starting in 2015, with a full impact of CHF 70 million starting in the financial year 2016. Additionally, there is further synergy potential of the transaction for Dufry's existing operations in terms of gross margin improvement and economies of scale in logistics.

We have already prepared an integration plan with the core of this plan being the transition of Nuance's operations into Dufry's business model, and we will work closely with the local teams to ensure that we capture the best of the Nuance and Dufry worlds.

We look very much forward to working with our more than 5,000 new colleagues in 19 countries to create an even better company. We are proud to welcome all of them and I am sure the complexity of this integration will be mitigated by the great professionalism of both organizations.

Ultimately what we want to achieve is to develop a better company for our employees, customers, suppliers and landlords and a more valuable asset for our shareholders."

## **About Nuance**

Nuance is the world's 6th largest duty free and travel retail group by sales volume operating close to 75,000 square meters of retail space across 66 store locations in 19 countries globally. Nuance operates more than 350 duty free and tax free stores, brand boutiques and concept stores. In addition, Nuance also operates an attractive inflight services business and a wholesale and distribution business, supporting the travel retail sector. The company is headquartered in Zurich, Switzerland.

In 2013, the business generated a turnover of CHF 2.1 billion and an adjusted EBITDA<sup>2</sup> of CHF 156 million. The Australian business, whose main concessions expire in February 2015, generated a turnover of CHF 487 million and an EBITDA of CHF (25) million in 2013.

Nuance holds an attractive diversified concession portfolio with long durations, covering Europe, Asia and North America. In Europe, Nuance operates sizeable retail operations in Switzerland and Turkey as well as attractive businesses in Portugal, Malta, the United Kingdom and Sweden. In Asia Pacific, Nuance has a presence in mainland China, Hong Kong, Macau, India and Australia with substantial experience in the region. Nuance has strong positions in the United States and Canada.

***This press release is for information purposes only and does not constitute an offer to sell or the solicitation of an offer to buy any security in the United States or in any other jurisdiction. Any securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration. Information in this press release may involve guidance, expectations, beliefs, plans, intentions or strategies regarding the future. These forward-looking statements involve risks and uncertainties. All forward-looking statements included in this release are based on information available to Dufry AG as of the date of this press release, and we assume no duty to update any such forward-looking statements. Factors that could affect Dufry AG's forward-looking statements include, among other things: the ability to successfully consummate the acquisition and realize expected synergies, global GDP trends, competition in the markets in which Dufry AG operates, unfavourable changes in airline passenger traffic, unfavorable changes in taxation and restrictions on the duty-free sale in countries where Dufry AG operates.***

***This document does not constitute a prospectus within the meaning of Article 652A or Article 1156, respectively, of the Swiss Code of Obligations or a listing prospectus pursuant to Articles 27 ET SEQ. of the listing rules of the SIX Swiss Exchange.***

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<sup>2</sup> Adjusted for Australian concessions

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#### **Dufry Group – A leading global travel retailer**

Dufry AG (SIX: DUFN; BM&FBOVESPA: DAGB33) is a leading global travel retailer operating around 1'400 duty-free and duty-paid shops in airports, cruise lines, seaports, railway stations and downtown tourist areas.

Dufry employs over 16,000 people. The Company, headquartered in Basel, Switzerland, operates in 47 countries in Europe, Africa, Eurasia, Central America & Caribbean, North America and South America.



**SOS CHILDREN'S  
VILLAGES**

#### **Social Responsibility**

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