Media Release

Basel, March 14, 2019

Dufry posts resilient full year 2018 results with strong cash generation

Dufry delivered resilient results for the 2018 business year despite difficult market conditions in certain geographies. Equity free cash flow grew by 97.4%, while cash earnings per share increased by 6.9%.

FINANCIAL HIGHLIGHTS

- Turnover growth in 2018 of 3.7% to CHF 8,684.9 million, with organic growth up by 2.7%;
- EBITDA reached CHF 1,040.3 million in 2018, an increase of 3.3%, with the EBITDA margin stable at 12.0%;
- Free cash flow and equity free cash flow grew strongly by 32.1% and 97.4% to CHF 617.1 million and CHF 370.8 million respectively in 2018;
- In H2 2018, headwinds impacted performance in Spain, Brazil and Argentina, impacting organic growth; after turning negative in Q3 2018 (-0.7%), organic growth returned to positive territory in Q4 2018 (1.8%);
- Cash EPS grew 6.9%, reaching CHF 7.31 in 2018;
- Dufry to propose to the Annual General Meeting a dividend payment of CHF 4.00 in 2019; 6.7% higher than the CHF 3.75 per share paid in 2018;
- As announced at the start of the share buyback programme in 2018, the Dufry Board will also propose to cancel 3.3 million shares bought in that programme.

OPERATIONAL HIGHLIGHTS

- Acceleration of the Business Operating Model implementation with CHF 40.0 million already reflected in the 2018 results. Remaining CHF 10 million to come in 2019;
- Continued refurbishment of operations across the Group to improve customer experience and maximise sales. 34,800 m^2 refurbished in 2018, including the implementation of our New Generation Store concept at Heathrow airport T3 (2,500 m^2) and Cancun T3 (1,800 m^2) as well as the main store in Glasgow and several stores at the Malaga and Bali airports;
- 26,800 m^2 of gross new retail space opened in 2018, including the start of operations aboard 16 cruise ships, totalling over 4,000 m^2 across 48 stores, and important duty free operations opened at the MTR high-speed railway station in Hong Kong (3 stores – 1,500 m^2) as well as 57 stores across several operations in North America adding 5,100 m^2;
- Currently, Dufry has contracts signed to open a further 19,800 m^2 of new space in 2019 and 2020, including operations in 19 new ships from P&O Cruises and Holland America Cruises (27 stores – 4,500 m^2), 18 new stores in Boston totalling 1,300 m^2, as well as 11 new stores at Chicago Midway, totalling 1,100 m^2.

Julián Díaz, CEO of Dufry Group, commented: “2018 proved to be a challenging year for Dufry but we delivered resilient results. Besides managing the daily business, the teams made a major effort implementing the BOM throughout the whole year – a task that involved countries, divisions and headquarters alike and requested a close collaboration.

I am pleased with the organic growth recovery in the fourth quarter. After organic growth being negative in the third quarter, this return to positive growth is an important achievement. Also, the continued improvement seen in the first two months of 2019, with total growth at above +3%, confirms that we are moving in the right direction.

Looking at our three key financial metrics, in 2018 we continued to generate top-line growth in most of our operations, driven mainly by organic growth. Our EBITDA margin reached 12.0% and we managed to generate significant improvements in both our free cash flow and equity free cash flow which increased to CHF 617.1 million and CHF 370.8 million respectively.

Despite headwinds in selected markets, Dufry has a strong strategic positioning with a broad portfolio of high-quality concessions across many markets in a sector with positive fundamentals. Our focus continues to be the delivery of sustainable long-term results for our shareholders."

FINANCIAL RESULTS

Turnover

In 2018, turnover grew by 3.7% to CHF 8,684.9 million from CHF 8,377.4 million in the same period in 2017. Like-for-like growth contributed 1.0% and net new concessions added 1.7%, which resulted in an organic growth of 2.7%. The FX translation effect during the period was 1.0%, mainly due to the strengthening of the Euro and the British Pound versus the Swiss Franc.

In the third quarter of 2018, headwinds impacted our trading in Spain, Brazil and Argentina resulting in a negative organic growth of -0.7%. Organic growth improved to +1.8% in the fourth quarter, mainly due to the positive contribution of openings in Asia, namely in Hong Kong and Australia.

Further negotiations with suppliers drive improvement in the gross profit margin

Gross profit grew by 4.4% and reached CHF 5,195.7 million in 2018 versus CHF 4,978.6 million in 2017. Gross margin improved by 40 basis points, which comes partly from a mix effect and mainly as a result of further negotiations of terms and conditions with local suppliers and supported by a contribution from the acceleration of several brand plan initiatives, resulting either in better terms or higher compensation from suppliers.

Continued increase of EBITDA

EBITDA reached CHF 1,040.3 million in 2018, a growth of 3.3% year-on-year. EBITDA margin remained stable at 12.0% year on year.

Apart from the expansion in the gross margin, the improvement in general expenses came mainly as a result of the contributions from the BOM implementation, generating savings of 20 basis points year-on-year in 2018.

Conversely selling expenses, 90% of which are concession fees, continued their trend upwards and rose by 70 basis points as percentage of turnover in 2018. About one third of the increase is due to the effect of the minimum annual guarantee of the Spanish contracts and another 10 basis points due to new operations outside the airport channel.

EBIT

EBIT went to CHF 371.4 million in 2018 from CHF 418.7 million in the last year. Other operational result (net) was CHF -49.3 million in 2018, mainly due to costs related to openings and closings of operations.

In 2017, other operational result was positive CHF 53.3 million, mainly related to the release of provisions.

Depreciation reached CHF 202.3 million in 2018, compared to CHF 158.9 million in 2017. Amortization and impairment stood at CHF 369.6 million in 2018, compared to the CHF 423.9 million reported in 2017. The amount in 2017 includes CHF 64.7 million related to the impairment charges.

Net earnings
Cash net earnings, which add back the acquisition-related amortization, were CHF 379.2 million in 2018, compared to CHF 367.9 million in the same period in 2017. Cash EPS grew 6.9%, reaching CHF 7.31 (2017: CHF 6.84).

Net earnings to equity holders stood at CHF 71.8 million in 2018 compared to CHF 56.8 million in the previous year. Financial results, net, reached CHF -137.2 million in 2018 from CHF -216.8 million one year earlier. The improvement of CHF 79.6 million is due to the refinancing concluded last year as well as the lower debt levels in 2018. Income tax reached CHF 98.8 million in 2018, versus CHF 91.0 million in 2017. The impact from deferred tax income was slightly lower in 2018, totaling CHF 27.1 million compared to CHF 29.2 million in 2017. Minorities were CHF 63.6 million in 2018 compared to CHF 54.1 million in the previous year, mainly influenced by the reflection of the additional Hudson minorities after the IPO.

Cash Flow
Free cash flow before interest and minorities reached CHF 617.1 million in 2018, compared to CHF 467.0 million in 2017. Apart from the EBITDA generation, the good net working capital management led to only a slight outflow of CHF 4.1 million, while Capex further reduced to CHF 251.1 million in 2018 from CHF 283.5 million in 2017, now standing at 2.9% of turnover and comparing to 3.4% a year earlier. Equity free cash flow reached CHF 370.8 million in 2018, almost double the CHF 187.8 million reported in 2017. Besides the growth in free cash flow, the reduction in interest costs connected to the refinancing executed in 2017, contributed to the result.

Net debt: Deleveraging on track
In terms of capital structure, we focused on cash generation and deleveraging since the acquisition of WDF in 2015. In 2018, we continued to reduce net debt to CHF 3,286.1 million at the end of December 2018 compared to CHF 3,686.9 million one year earlier. Our main covenant, net debt / adjusted EBITDA, stood at 3.20x as per December 31, 2018, thus leaving a comfortable headroom to the agreed maximum threshold of 4.00x.

PERFORMANCE BY DIVISION

Southern Europe and Africa
Turnover reached CHF 1,854.0 million in 2018, from CHF 1,857.8 million one year before. Organic performance in the division was -2.6% in the full year 2018. The Spanish business was negatively impacted by a change in the mix of passengers towards lower spending nationalities. On the other hand, Turkey benefited from the shift and posted good performance. Other locations such as Italy, France, Malta and Kenia, all posted good growth.

UK and Central Europe
Turnover grew to CHF 1,974.2 million in the year, versus CHF 1,945.1 million in 2017, with organic growth in the division reaching 0.3%. The growth along most part of the year in the region was largely impacted by the closing of operations in Geneva as of October 2017. Excluding such impact, organic growth reached +3.4%.

In the UK, the main operation in the division, performance was solid during the whole year, supported by a stable growth in passenger numbers as well as refurbishments and marketing initiatives. Switzerland, excluding Geneva, also posted good growth, due to a combination of the refurbishment and introduction of the New Generation Store concept in Zurich along with growth in passengers.

Eastern Europe, Middle East, Asia and Australia
Turnover amounted to CHF 1,153.6 million in 2018, from CHF 1,011.4 million in 2017. Organic growth was double-digit at 15.1%. The opening of operations in Hong Kong and Perth were key to maintain organic growth at high levels, despite the higher comparables since the third quarter.

Eastern Europe had a good performance in the year, although the performance slowed in the second half. In the Middle East, operations in Jordan, Kuwait, Sharjah and India continued to grow solidly. The growth trend in Asia remained strong during 2018 although there was some slowdown in the second half of the year due to stronger comparables. We saw a solid performance in operations such as Cambodia, Macau, South Korea and Indonesia. Australia posted double digit growth in the year, supported by the opening of the New Generation Store in Melbourne.

Latin America
Turnover went to CHF 1,617.0 million in 2018 versus CHF 1,694.0 million one year earlier. Organic growth for the year stood at -3.5%. Most operations in South America faced challenging conditions driven by a strong devaluation of local currencies. Brazil and Argentina were the most impacted locations with the Brazilian Real and the Argentinean Peso devaluing 15% and 70% respectively in the year. Other operations in South America also saw a slowdown in performance as a knock-on effect from the two key countries above, especially in the second half of the year.

Central America and Caribbean had a good performance along the year, further supported by a strong development of the cruise business, where we started operations on board of 16 new ships.

North America
Turnover reached CHF 1,884.4 million in 2018 from CHF 1,771.5 million in the previous year. The division delivered a good organic growth, totaling 6.8% in 2018.

This performance was driven by a combination of passenger growth and new openings along the year. The duty-paid business delivered a solid performance throughout the year. Growth in the duty-free operations was resilient as well until the third quarter. During Q4 2018, organic growth slowed slightly down to 4.7%, mainly driven by a change in the Chinese passenger profile resulting in a lower spending and impacting the duty-free business in the region.

TRADING UPDATE & OUTLOOK

Despite that the headwinds in certain countries – particularly in Brazil and Argentina, and to a lesser extent in Spain – are likely to persist for the coming quarters, Dufry's business model and the fundamentals of the travel retail market do remain solid.

Based on current indications of our trading in 2019, we anticipate a continued gradual improvement in organic growth along the year. In the first two months of 2019, total growth was above +3%. The growth improvement in early 2019 is mainly due to the contribution of new concessions.

We therefore expect to see an outcome for the full year 2018 that will demonstrate continuing year-on-year progress for the overall Group. Mid-term average organic growth is now expected to be in a range of between +3% and +4%; with equity free cash flow further increasing in line with turnover performance and starting from a base of between CHF 350 million and CHF 400 million.

Capital Markets Day on strategy update, IFRS 16, new performance KPIs and confirm new set of mid- to long-term targets

As already announced last year, Dufry will implement the new standard on lease accounting (IFRS 16) as from 1 January, 2019, which will lead to the introduction of a new set of financial KPI's and to changes in the financial statements. In this context and on top of giving a strategy update, Dufry will present the new structure of the financials and new KPI's alongside a bridge to Q1 2018 financials as part of the Q1 results 2019 disclosure on May 14th. In parallel, on May 15th, we will hold a Capital Markets Day in Zurich, where we will discuss the IFRS 16 implications in more detail. As part of the Capital Markets Day, Dufry will also confirm a new set of mid- to long-term targets based on the indications given above.

FINANCIALS

Income statement

(CHF million)	FY 2018	%	FY 2017	%
Turnover	**8,684.9**	100.0%	**8,377.4**	100.0%
Gross profit	**5,195.7**	59.8%	**4,978.6**	59.4%
Concession fees	(2,446.9)	-28.2%	(2,306.0)	-27.5%
Personnel expenses	(1,175.2)	-13.5%	(1,135.0)	-13.5%
Other expenses	(537.1)	-6.2%	(528.9)	-6.3%
Share of results of associates	3.8	0.0%	(1.6)	0.0%
EBITDA(1)	**1,040.3**	12.0%	**1,007.1**	12.0%
Depreciation & impairment of PP&E	(202.3)	-2.3%	(158.9)	-1.9%
Amortization & impairment of intangibles	(369.6)	-4.3%	(423.9)	-5.1%
Linearization	(47.7)	-0.5%	(58.9)	-0.7%
Other operational result	(49.3)	-0.6%	53.3	0.6%
EBIT	**371.4**	4.3%	**418.7**	5.0%
Financial result	(137.2)	-1.6%	(216.8)	-2.6%
EBT	**234.2**	2.7%	**201.9**	2.4%
Income taxes	(98.8)	-1.1%	(91.0)	-1.1%
Net Earnings	**135.4**	1.6%	**110.9**	1.3%
Non-controlling interests	63.6	0.7%	54.1	0.6%
Net Earnings to equity holders	**71.8**	0.8%	**56.8**	0.7%
Acquisition-related amortization	307.4	0.0%	311.1	0.0%
Cash Net Earnings	**379.2**	4.4%	**367.9**	4.4%

Cash flow statement

(CHF million)	FY 2018	FY 2017
EBITDA before other operational result	**1,040.3**	**1,007.1**
Changes in net working capital	(4.1)	(147.7)
Taxes paid	(132.8)	(124.2)
Other operational items	(67.1)	(15.7)
Dividends from associates	5.7	4.9
Net cash flow from operating activities	**842.0**	**724.4**
Capex	(251.1)	(283.5)
Interest received	29.5	27.1
Increase in participation in associates	(3.3)	(1.0)
Free Cash Flow	**617.1**	**467.0**
Interest paid	(169.9)	(218.1)
Cash flows related to minorities	(64.2)	(57.0)
Other financing items	(12.2)	(4.1)
Equity Free Cash Flow	**370.8**	**187.8**
Net proceeds from Hudson IPO	665.2	-
Net purchase of treasury shares / Share buyback	(522.4)	-
Dividends to Group shareholders	(198.7)	-
Transaction / Reestructuring costs	(5.8)	(9.3)
Currency translation	101.5	(79.9)
Arrangement fees amortization and other non cash items	(9.8)	(35.1)
Decrease in Net Debt	**400.8**	**63.5**
Net debt	-	-
– at the begining of the period	3,686.9	3,750.4
– at the end of the period	3,286.1	3,686.9

Balance sheet

(CHF million)	31.12.2018	31.12.2017	Variation
Concession right finite life	3,086	3,499	-413
Goodwill, Brands, Conc. rights indef. life	2,918	2,991	-73
Other intangible assets	113	108	5
Other non current assets	300	373	-72
Core Net Working Capital	485	461	24
Other current assets	526	549	-23
PP&E	644	668	-24
Total	**8,073**	**8,648**	**-575**
Equity	3,342	3,356	-15
Net Debt	3,286	3,687	-401
Non current liabilities	179	256	-77
Deferred tax liabilities, net	287	334	-47
Other current liabilities	980	1,016	-36
Total	**8,073**	**8,648**	**-575**

All FY 2018 related documentation can be found at the following link:
https://www.dufry.com/en/investors/ir-reports-presentations-and-publications

For further information, please contact:

Renzo Radice
Corporate Communications & Investor Relations
Phone: +41 61 266 44 19
renzo.radice@dufry.com

Rafael Duarte
Global Investor Relations
Phone: +41 61 266 45 77
rafael.duarte@dufry.com

Sara Lizi
Investor Relations Americas &
Communications Div. 4
Phone: +55 21 2157 9901
sara.lizi@br.dufry.com

Karen Sharpes
Global Media &
Events
Phone: +44 0 208 624 4326
karen.sharpes@dufry.com

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 65 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.