

Dufry posts 2% organic growth in first half of 2019

By **Mary Jane Pittilla** on July, 30 2019 | Retailers



Julián Díaz, CEO, Dufry Group: “The improving market conditions in all divisions seen in the first half of 2019 continue as expected and are encouraging”

Dufry posted steady turnover in the first half of 2019 to CHF 4,180.1 million (US\$4,219 million), driven by organic growth of 2.2%.

Growth accelerated in the second quarter, propelled by improved like-for-like performance, with the trend continuing in the first weeks of July.

Dufry confirmed a medium-term organic growth target of 3% to 4%.

In the first half of 2019, organic growth reached 2.2%, confirming the ongoing positive trend seen in the first quarter.

In Q2, organic growth accelerated to 2.3% with further improvements in the first weeks of July.

Like-for-like performance in Q2 2019 improved significantly compared to first quarter, and reached a turnaround in June and July, Dufry said.

By region, Asia Pacific and Middle East continued to perform “very well”, driven by new concessions.

Europe and Africa accelerated, benefiting from a notable recovery in Spain. North America was positive, while the Central and South American division remained challenging but showed encouraging signs of recovery in July.

Dufry continued to expand and revamp its operations. In the first half 2019, the company refurbished

31,700 square meters.

It also opened and expanded 15,400 square meters of gross retail space and signed contracts to open a further 15,300 square meters in 2019/20.

In early June 2019, Dufry announced the acquisition of a 60% participation in RegStaer Vnukovo, which will considerably expand Dufry's presence in the Moscow area. Dufry expects the acquisition to close in the second half 2019.

The duty free and duty paid shops operated by RegStaer at Moscow Vnukovo Airport generated a sales volume of €58.8 million (US\$59.3 million) in FY 2018.

Turnover by region

Turnover in the Europe and Africa region was CHF 1,725.5 million (US\$1,741.3 million) in the first half of 2019, from CHF 1,743.2 million one year ago. Organic growth in the division reached +3.9%.

In the UK, performance accelerated, driven by "excellent" results at London Heathrow Airport. In Spain, performance improved and June showed promising growth for the summer season. Turkey continued the good performance trend seen in recent quarters and posted solid growth. France, Italy, Malta and Africa reported positive growth.

In Asia Pacific and the Middle East, turnover climbed to CHF 623.8 million (US\$629.5 million) in the first half of 2019, versus CHF 546.5 million in the same period in 2018. Organic growth in the division continued the positive momentum with double-digit growth, achieving 13.9%, mainly from the contribution of new concessions in the first half of 2019.

Asia Pacific achieved double-digit growth driven by new openings, such as the MTR high-speed railway station operations in Hong Kong. China, Macau and Cambodia posted good growth. In Australia, sales grew double digits, supported by the start of operations in Perth.

In North America, turnover reached CHF 954.5 million (US\$963.2 million) compared to CHF 896.6 million in the first half of 2018. Performance in the region remained resilient, with organic growth reaching 3.7%, mainly supported by the good performance of the duty paid business.

Turnover in Central and South America was CHF 761.8 million (US\$768.8 million) in H1 2019 as compared to CHF 821.3 million one year earlier and organic growth was -10.6%.

Mexico, and especially the Caribbean operations, posted good performance, positively supported by the cruise business.

In South America, most operations continued to be impacted by the devaluation of local currencies, particularly in Brazil and Argentina.

Strong performance in Asia and Middle East

Julián Díaz, CEO of Dufry Group, said: "The good operational performance with an organic growth of 2.2% in the first half is a positive development. The second quarter has shown a further improvement versus the first quarter, reaching an organic growth rate of 2.3% and it is encouraging to see that this growth acceleration is picking up further in the first weeks of July. In particular, Asia Pacific and the Middle East have continued with their strong performance.

"Recovery has started in Europe with Spain performing well, while North America has continued with

its resilient growth. Even South America has shown encouraging signs of recovery in the first weeks of July.”

Noting a turnaround in performance in June and July, he continued: “I would like to highlight the considerable improvement we have seen in the like-for-like performance with respect to the first quarter this year and which reached a turnaround in June and July. This was the result of a combination of commercial and market initiatives launched in several markets. Organic growth further benefited from strong contributions from our new concessions.

“Worth mentioning in the first half are the new operations at the MTR station in Hong Kong, the new airport in Perth, and the addition of new cruise ships to our portfolio.”

In terms of business development, Dufry added 15,400 square meters of gross retail space and has signed 15,300 square meters to be opened in 2019 and 2020 in existing and new locations across the globe. At the same time, it extended existing contracts and refurbished 31,700 square meters of retail space in the first half of 2019.

Díaz concluded: “The improving market conditions in all divisions seen in the first half of 2019 continue as expected and are encouraging. Organic growth in the first three weeks of July accelerated and reached around 3%.

“Our goals for 2019 remain unchanged; to drive further growth with a strong focus on the customer, to leverage our business model to generate efficiencies, and to accelerate the implementation of the digital strategy.”

Dufry confirmed its mid-term organic growth guidance of 3%-4%.