DUFRY

TRAVEL MARKETS INSIDER Vol. 20 -34

Dufry accelerates global organic growth in H1 2019 despite challenging market in South America

Despite the challenging economic situation in much of Latin America, Dufry posted steady turnover in the first half of 2019, growing 2.2% to CHF 4,180.1 million. Organic growth accelerated to +2.2% in HY 2019; with Q2 improving to +2.3%. This gain was followed by further improvements in the first weeks of July.

On a like for like basis, organic growth was +5.4%, excluding South America, says the company.

Adjusted operating cash flow was CHF 409.0 million. Dufry confirms the Equity Free Cash Flow target of CHF 350-400 million for the full-year 2019 and the medium term organic growth target of 3% to 4%.

Regional overview

The like-for-like performance in Q2 2019 improved significantly as compared to first quarter, and reached a turnaround in June and July. By geography, Asia-Pacific and Middle East continued to perform very well, driven by new concessions. Europe and Africa accelerated, benefitting 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.

In the first half 2019, the company refurbished 31,700 sqm of space. Dufry also opened and expanded 15,400 sqm of gross retail space and has signed contracts for opening a further 15,300 sqm in 2019/20.

Diaz comments

Julián Díaz, CEO of Dufry Group, commenting on the positive development in the first half, said:

"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.

Diaz continues:

"In this context, 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 turn-around in June and July. This was the result of a combination of commercial and market initiatives launched in several markets. Organic growth further benefitted 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," he said.

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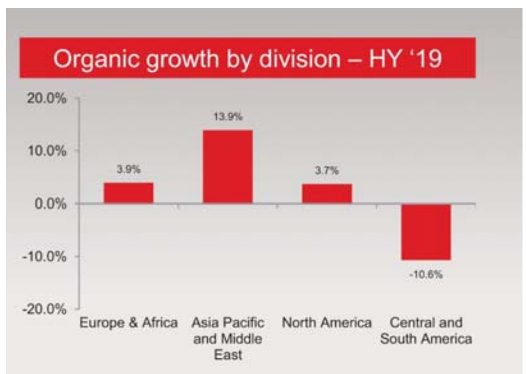

Dufry's organic growth further improved to +2.3% in Q2 2019 from +2.0% in Q1 2019: Positive growth in Europe and North America; improvement in Spain; resilient double-digit growth in Asia despite higher comparables; and still tough conditions in South America with recovery seen in June / July.

PEOPLE

William Grant & Sons Global Travel Retail Americas has expanded, reports **Jose Castellvi**, Americas Regional Director GTR and the Caribbean.

Leidys Tobenas has joined WGS as GTR Americas Regional Marketing Manager. Tobenas has broad background in travel retail, most recently with Pernod Ricard and Remy Cointreau.

Byron Rocha has joined WGS from Pernod Ricard USA as Regional Manager Caribbean Domestic Markets & Cruise lines.

In addition, **Pablo Boggio** has been promoted to Regional Manager Airports for the GTR Americas Division, and **Julia Tavora**, based in Brazil, has been promoted to Regional Marketing Executive Dufry Americas, reporting to Pablo Boggio.

Fraport USA, a subsidiary of **Fraport AG**, has named **Gary H. Gilliard** as Vice President of Operations for Fraport Maryland. He will oversee the development, leasing, construction, marketing and management of the concessions program at Baltimore/Washington International Thurgood Marshall Airport (BWI). Gillard formerly held a variety of retail and management roles at Denver International Airport (DEN).

In addition, **Amy Miktus** has been promoted to Vice President of Operations at Pittsburgh International Airport (PIT) and will oversee the leasing, construction, marketing, and management of 80,000 square feet of concessions space at PIT. She joined Fraport Maryland in 2012 and in 2017 became Director of Operations for the concessions program at BWI. She also served on the transition team for launching the Fraport USA project at JetBlue's Terminal 5 at John F. Kennedy International Airport.

Cathy Simoni was named Fraport USA's Director of Corporate Marketing & Customer Experience. She has been with Fraport Pittsburgh for 27 years, directing and managing the airport's retail operations, leasing and marketing, among other responsibilities.

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Dufry accelerates global organic growth in H1

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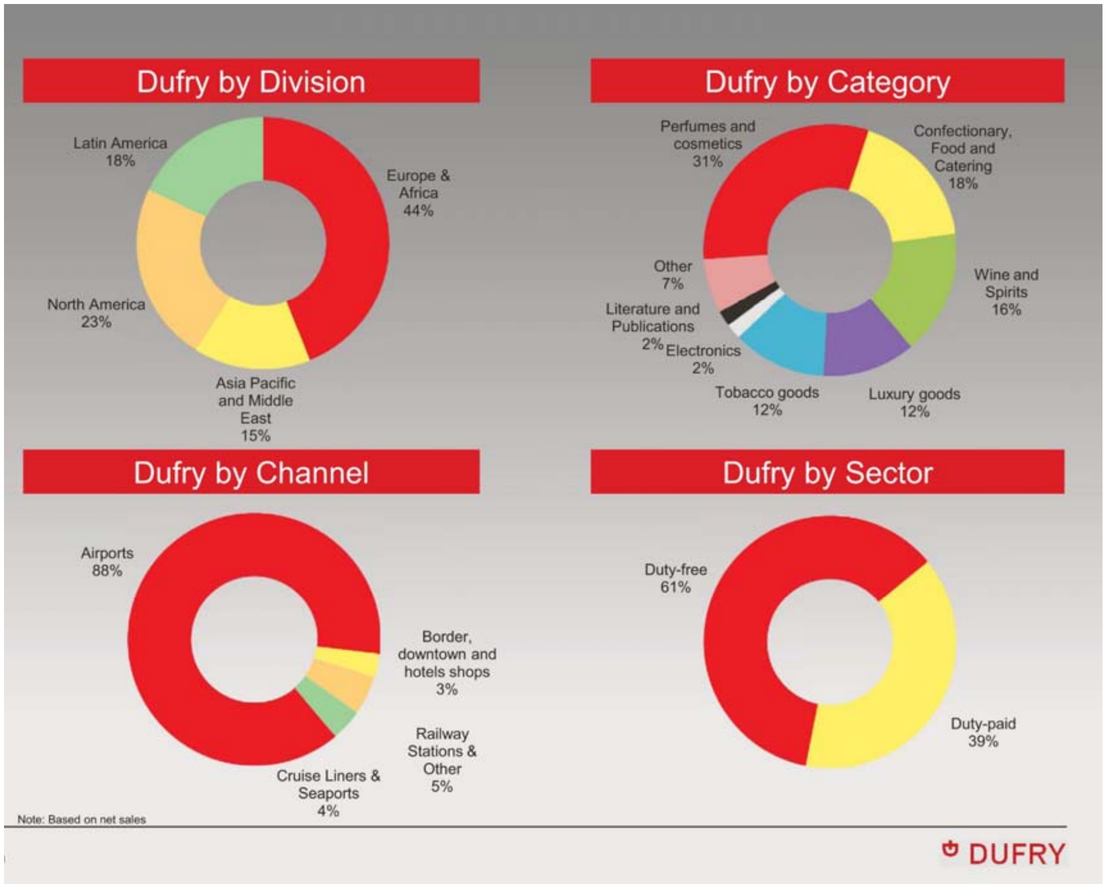
The Americas

In the Americas, turnover in the Central and South America Division was CHF 761.8 million in H1 2019 as compared to CHF 821.3 million one year earlier; organic growth was -10.6%.

Central America delivered good performance in Mexico and the Caribbean and Dufry's cruise business continued to grow in high double digits from the additional new ships added to the portfolio. In South America, most operations continued to be impacted by the devaluation of local currencies, particularly in Brazil and Argentina, but some recovery was seen in June and July, reports the company.

The ongoing strong performance in North America was mostly driven by strong duty-paid like-for-like performance, with the duty-paid business outperforming the duty free.

Turnover reached CHF 954.5 million compared to CHF 896.6 million in the first half of 2018. The performance in the region remained resilient, with organic growth reaching 3.7%, mainly supported by the good performance of the duty-paid business.



Dufry retail openings: Brazil Border stores and renewed flagship at Ezeiza

Dufry added 15,400 sqm of gross retail space in HY 2019. This included several locations in North America, where 29 new stores covering 2,600 square meters were opened, as well as 6 new shops in the Bahamas (1,100 sqm) and 4,800 sqm of space on 17 new cruise ships from 29 new stores.

In addition, Dufry refurbished 31,700 sqm of retail space in the period. Highlights included a 3,100 sqm New Generation flagship store in Buenos Aires Ezeiza airport, and 8 shops in Detroit covering 600 sq meters.

Dufry will also be opening its first border duty free shop in Brazil within a few says. The 850 sqm shop is located in the city of Uruguaiana, the second largest city on the Brazilian border with Argentina and Uruguay, and is easily accessible to Argentinians, says Dufry.

Wild Tiger Roar Trip hits the road

Wild Tiger Rum Founder and Chief Brand Officer Gautom Menon and Brand Creative Head Paul George V began The Roar Trip this week, a 25,000 km, ten week journey that will take them from India to Cannes.

The Roar Trip, which will raise awareness for tiger conservation, began at the Parambikulam Tiger Reserve in Kerala, India and will not stop until they arrive in Cannes at the TFWA World Exhibition in October.

Follow along on Social Media:
Instagram: RoarTripWTF
Twitter: @RoarTripWTF
Facebook: WildTigerFoundation

DFWC underlines need to refocus on customer satisfaction drivers with latest KPI Monitor

The Duty Free World Council has called for more customer engagement in its latest DFWC KPI Monitor for Q2 2019. The report, which was produced for the DFWC by m1nd-set, shows steady growth in some of the key satisfaction drivers for duty free shoppers, with the global average up by one percentage point since Q1 2019.

Engagement at the point of sale appears to be eroding, however.

"The level of engagement between staff and visitors to the duty free shops has declined by 5% since the previous quarter according to the DFWC KPI Monitor, which is quite a concern," says ETRC President Frank O'Connell.

"The impact of this decline in engagement is directly visible in the overall satisfaction levels and perception of duty free shops. We see in this quarterly Monitor, for example, that there is only one contributing element to the overall perception of duty free, 'duty free is a great place to try new brand,' that has seen an increase in the percentage of travelers who agree, while all other criteria have either seen a decline or stagnated.

"As we discussed in the last quarterly report, there is a direct correlation between staff engagement and customer satisfaction," O'Connell continued. "It is essential for brands and retailers to ensure sales associates on the shop floor continue to interact and engage more with customers."

Performance in North America declined by one point versus Q1, with an increase of one point across all other regions, apart from the Asia Pacific region where there has been no change since the previous quarter.

Compared to the same period in 2018, however, there has been a consistent increase in the global average. Asia Pacific is the only region with an above average score.

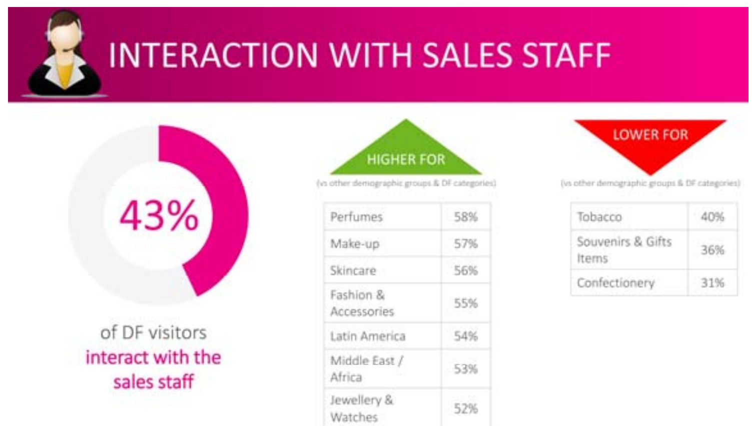
All other regions post below average scores in the overall satisfaction index, which is computed by aggregating the satisfaction scores on all aspects of the visits to the duty free shops and weighting these based on their impact on the overall satisfaction level.

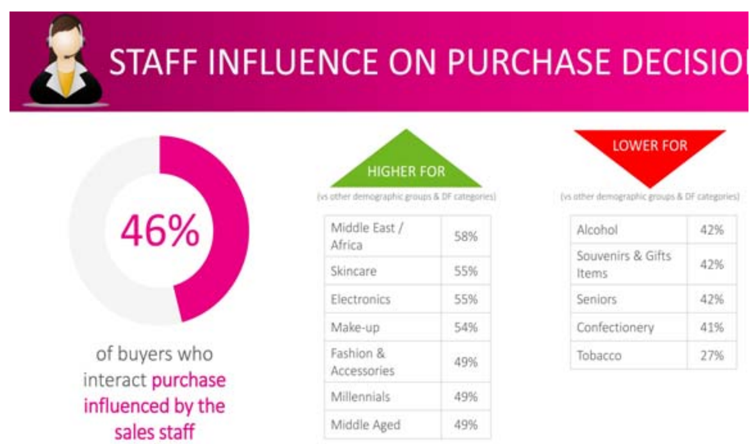
Peter Mohn, Owner and CEO at m1nd-set added:

"We see clearly from the Monitor that where staff interaction is greater, there is also greater influence on the decision to purchase. This is particularly evident in the Middle East/Africa region and in the Beauty and Fashion & Accessories categories.

Staff in the Electronics category also perform well in influencing the purchase decision. There clearly needs to be more focus on engaging with older travelers as well as with those duty free visitors shopping for alcohol, confectionery, tobacco and souvenirs where engagement levels are markedly lower."

The Monitor was compiled from over 4000 interviews with shoppers globally conducted in June for the second quarter of 2019.





Argentina's economy lifting out of recession? Activity rises in May for the first time in a year

Argentina's economic activity rose for the first time in over a year in May, reported Mercopress this week. The 2.6% rise versus the same month a year ago topped even the most optimistic estimates from analysts, and broke a run of 12 consecutive months of falling economic activity, said the media site last Friday.

The monthly growth will come as welcome news for President Mauricio Macri, who is looking to dig the country out of a crippling recession ahead of presidential elections later this year.

Argentina's Treasury said the rise was due to strong growth from the farming sector, which it said was up nearly 50% versus a year ago, as well as improvements in sectors including transport, industry, commerce and construction.

"Looking forward, it is expected the agricultural campaign, which unlike 2018 enjoyed good weather conditions, will continue to contribute to growth," the ministry said, adding better salaries and lower inflation should also help.

The Ministry also reports a more stable peso and lower inflation. Argentina's economic activity fell 1.3% in April after a 6.9% drop in March, and had been contracting for over a year amid an economic crisis that has hit the peso currency and driven up inflation.

In another positive development, Argentina delivered a higher than expected trade surplus of US$1.06 billion in June, the government statistics agency INDEC said, compared with a deficit of US$322 million in the same month a year ago.

Bolstered by a weak local peso currency, Argentina also posted a trade surplus of US$ 1.373 billion in May.

Source: MercoPress

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Halewood's new Crabbie Single Malt Whiskey brand combines history and innovation

Halewood Wines & Spirits will launch Crabbie Single Malt Scotch Whisky in global travel retail at the TFWA World Exhibition in Cannes.

Crabbie, both a brand steeped in history and a new brand known for its innovation, introduced Crabbie's Yardhead at a launch event in London last week.

Established in 1801, John Crabbie & Co. of Leith, Edinburgh blended distilled, stored and exported whisky all over the world until the early 20th century.

In 2017, under a new management team, Crabbie reemerged and launched a range of limited edition single malts from the Highlands and Islands of Scotland.

The current Crabbie range includes the lightly peated 12-year old from the Scottish Islands and the Crabbie 8 y/o, 25 y/o and 40 y/o Highland Single Malts from Speyside.

New Crabbie's Yardhead and the Crabbie 12-year old Single Malt Island Whisky will be the backbone of the Crabbie offer in global duty free & travel retail, says Simon Roffe, Managing Director Global Travel Retail, Halewood, which has owned Crabbie since 2007.

"Crabbie's Yardhead breaks the mold for single malts. It is unpretentious and laid back, a profile which is designed to appeal to the next generation of consumers and to those who may enjoy brown spirits already but have not yet found their way to whisky," says Roffe.

"We are delighted that we will be able to unveil both Yardhead and Crabbie's 12-year old single malt on the Halewood stand in Green Village and on our yacht in Harbour Village at TFWA World Exhibition in October. The Crabbie whisky range will be a perfect addition to our growing portfolio of craft spirits such as Whitley Neill Gin and Dead Man's Fingers rums which are already making waves in the travel retail channel."

Crabbie's 12-year old Single Malt Island Whisky is a lightly peated spirit which has been matured in refilled sherry casks and bottled at 43%. It will retail in duty free & travel retail at around 38 euros per 70cl bottle.

In May 2018 John Crabbie & Co opened its own distillery, the first new single malt distillery in Edinburgh for 100 years, at the Chain Pier. A new larger home is under construction nearby in Leith and production will start later this year.

Crabbie's Yardhead is named after the original site of Crabbie's distillery and warehousing facility in Edinburgh.

A Highland single malt Scotch whisky aged in ex-bourbon casks, it will be launched exclusively in travel retail in one liter bottles at a recommended price around 35 euros.

LVMH reports excellent 1H results

Luxury products group LVMH Moët Hennessy Louis Vuitton, recorded revenue of 25.1 billion euros in the first half of 2019, up 15%. Organic sales growth was 12% compared to the same period in 2018.

The United States, Asia and Europe saw good growth with, in particular, a rebound in France in the second quarter.

Profit from recurring operations was € 5 295 million for the first half of 2019, an increase of 14%.

LVMH's **Selective Retailing** business group saw organic revenue growth of 8%, with profit from recurring operations up 17%. DFS performed very well in its first European location-- the Venice Galleria. Although seeing a slowdown in demand in Hong Kong and Macao over the past few months, DFS's performance in these markets was good in the first half, benefiting from the rise in international travelers, says the company.

Sephora, meanwhile, recorded strong revenue growth and gained market share in all of its locations. Already present in 34 countries, the brand continued to expand its store network while online sales advanced rapidly.

Other Highlights of the first half of 2019 include: good start to the year for Wines and Spirits, +6% in organic revenue; "remarkable momentum" at Louis Vuitton and Christian Dior Couture. The **Fashion & Leather Goods** group recorded organic revenue growth of 18%. Also LVMH's perfumes and cosmetics flagship brands grew +9% in organic revenue; good progress in jewelry, in particular for Bvlgari, and the announcement of the agreement with Stella McCartney House, among other developments.

Diageo Global Travel to launch third Johnnie Walker Ghost and Rare

Diageo Global Travel has announced the launch of Johnnie Walker Blue Label Ghost and Rare Glenury Royal in global travel retail beginning in October 2019. The limited edition Scotch is the third in a series of special editions crafted using irreplaceable "ghost" whiskies and other rare whiskies from the reserves used to create Johnnie Walker Blue Label.

Anna MacDonald, Diageo Global Travel's Marketing and Innovation Director, said: "With the introduction of Johnnie Walker Blue Label Ghost and Rare Glenury Royal, globe-trotting single malt fans will have a fleeting opportunity to take home a rare and indulgent Scotch that explores the depth of character of whiskies from now-silent distilleries.

"Retailers will have the opportunity to hero this limited edition Scotch with bespoke in-store activations including illuminated glorifiers and FSDUs, and to tell its rich story through dynamic wall bay takeovers."

At the heart of Johnnie Walker Blue Label Ghost and Rare Glenury Royal whisky is the Highland single malt Glenury Royal, from the "ghost" distillery of the same name that shut its doors in 1985. Johnnie Walker Master Blender Jim Beveridge and his team also hand-selected two rare whiskies from the "ghost" distilleries of Cambus and Pittyvaich as well as five other rare whiskies from Glen Elgin, Inchgower, Glenlossie, Cameronbridge and Glenkinchie.

Johnnie Walker Blue Label Ghost and Rare Glenury Royal is bottled at an ABV of 43.8% and with an RRP of £300 for 1L. Each bottle in this special release is individually numbered.

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EMPLOYMENT OPPORTUNITIES

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(leading recruitment firm for the Travel Retail industry) has an opening for a

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Our Client is a large international beauty company.

Objective

This position will report to the company's Regional Sales Director in charge of the Americas. You will assist him and work alongside two senior area managers in overseeing distribution of the company's diversified fragrance brand portfolio in over 20 countries of the Americas.

Ideal Profile

Our ideal candidate is a passionate, multicultural individual with a background of relevant academic and professional experiences in sales, marketing or beauty.

This is an ideal position for an entry-level person in Miami wanting to move to NYC and expand their career opportunities (a Marketing Coordinator moving into sales, an Account Coordinator starting to travel, a Jr ASMN or Account Executive wanting to work on a larger territory…)

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We are seeking an energetic and resourceful **Caribbean Area Manager,** based in Tampa Bay, Florida or the Caribbean, to represent a portfolio of internationally recognized brands across the Caribbean. The successful candidate will work closely with regional distributors to inspire and motivate their teams to grow market share and sales.

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NEW

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This position provides daily support in the department by ensuring high levels of communication and performance with internal and external customers.
The ideal candidate must be fluent in English & Spanish with an advanced level of Excel skills.
Highly proficient in the ability to complete Sales Analysis and Forecasting Reports.
Responsibilities include but are not limited to key administrative tasks, order processing and customer support. Must possess strong organizational skills, self-driven, team player, and have the ability to multi-task in a very fast paced environment.

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reporting to the **Controller**.

The candidate must have excellent communication skills verbal and written in English and Spanish,
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Knowledge of SAGE software is a plus.
Must be a team player who is motivated, proactive and a quick learner.
A multi-tasker with strong organizational skills.

Associates degree or BS degree in Finance, Accounting or Business Administration is preferred.

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