

2020 ends with strong liquidity and strategic initiatives for Dufry

Dufry has released its 2020 financials, stating that despite a difficult year the company has finished with strong liquidity, full cash flow control and strategic initiatives to drive recovery and growth. Some highlights include:

The company's organic growth was -69.8% year-on-year, with a turnover of CHF 2,561.1 million (US\$2756.31 million). While Dufry had communicated a savings target of CHF 1 billion (US\$1.076 billion), it actually achieved savings of CHF 1,312.1 million (US\$1412.1 million). These measures resulted in recurring fixed-cost savings of CHF 400 million (US\$430.5 million) (excluding rent relief). Because of these savings and other measures and circumstances, full-year Equity Free Cash Flow break-even expected at -40% turnover level vs 2019.

Turnover in 2020 compared to 2019 was down -71.1%, with gross profit down -74.1%.

Net debt amounted to CHF 3,344.2 million (US\$3,600 million) at the end of December 2020 compared to CHF 3,102.0 million (US\$3,338.4 million) in December 2019.

"Decisive actions" reduced targeted cash consumption in H2 2020 to CHF -45.7 million (US\$49 million) vs expected CHF 60 million (US\$64.6 million) monthly average. The company took various financial initiatives to increase its cash on hand, for CHF 1,992.9 (US\$2,145 million) million gross proceeds. This helped to create a strong liquidity position of CHF 1,905.7 million (US\$2,051 million) at end of 2020.

Dufry Group's reorganization and restructuring was implemented, and the Hudson reintegration and delisting was successfully executed.

By the end of February 2021, almost 55% of Dufry stores are open, representing 60% of sales capacity.

Though travel behavior changed, with more domestic and intra-regional travel and the strongest decline in international and business travel, the category mix remained relatively unchanged, with P&C coming first, followed by food & confectionary. Duty paid gained in demand driven by domestic and intra-regional travel, with no significant channel shift despite travel restrictions.

In CHF million	2020	2019	Var.
Turnover	2,561.1	8,848.6	-71.1%
Gross Profit	1,377.3	5,323.2	-74.1%
<i>Gross Profit Margin</i>	53.8%	60.2%	-6.4p.p
Lease Expenses	8.0	-1,372.9	1,380.9
<i>thereof MAG Relief</i> ^[3]	380.3	-	-
Personnel Expenses	-716.0	-1,243.3	-42.4%
Other Expenses, net ^[4]	-328.2	-561.6	-41.6%
Depreciation & Amortization	-1,648.7	-1,722.7	-4.3%
Impairment	-1,193.2	-54.3	-1,138.9
Operating Profit (EBIT)	-2,500.8	432.8	-2,933.6
Net Profit to Equity Holders	-2,513.7	-26.5	-2,487.2
Basic EPS	-43.0	-0.5	-42.5
Adjusted Operating Profit (Adj. EBIT)	-1,561.6	767.7	-2,329.3
Adjusted Net Profit	-1,658.4	349.3	-2,007.7
Adjusted EPS	-28.4	7.00	-35.4
Adjusted Operating Cash Flow	-405.9	960.0	-1,365.9
Lease Payments, net	-401.8	-1,263.7	-68.2%
Capex	-106.0	-245.3	-56.8%
NWC Changes	-313.9	-24.4	-289.5
Equity Free Cash Flow	-1,027.3	383.3	-1,410.6
Net Debt	3,344.2	3,101.9	242.3

Continued openings, expansions and refurbishments

Dufry continued with its planned building and refurbishment including new brand paradise ANECDOTE at the Circle, Zurich Airport (CH), an exclusive duty-paid landside store, and began operations at Istanbul's Sabiha Gökçen International Airport in Q4 2020.

At Dallas Love Field Airport (US), Dufry opened the Hudson Nonstop store with Amazon's Just Walk Out technology for convenient, contactless shopping.

Further new shops have been opened, among others, in Helsinki (FI), Bergamo (IT), Singapore (CN), Perth (AU), Florianopolis (BR), Fortaleza (BR), Puerto Vallarta (MX), and several location in the US, e.g. Salt Lake City, New York, Nashville. Refurbished and expanded shops accounted for 12,800 m² representing almost 3% of overall retail space operated by Dufry, and included among others, Dufry's operations in Genova (IT), London Stansted (UK), Corfu (GR), Athens (Greece), Belgrade (RS), Thessaloniki (GR), Antalya (TR), Guayaquil (EC), Los Angeles (US), and Atlanta (US).

Dufry recently announced a cooperation agreement with Hainan Development Holdings (HDH) to open a shop in the Global Duty Free Plaza at the Mova Mall in the city-center of Hainan's capital Haikou in China. Phase one opened in January 2021, with more extensions planned.

Dufry continues to bid on and win concession licenses such as the newest at Sangster International Airport in Montego Bay, Jamaica, for duty free and duty paid operations, increasing its current retail

space from 1,800 square meters to 2,260 square meters in total, with more opportunities in the pipeline to total 31,500 square meters as of end-February 2021.

Outlook

Dufry plans to reopen its retail business gradually. As of end of February 2021 approximately 1,300 shops were open, which represents approximately 60%. The company expects a limited improvement of business in 2021, and will focus on liquidity, cost savings and organic growth opportunities such as expansion in Asia.

The company expects full recovery by end of 2022-2024, but expects to return to 2019 profitability and cash generation levels before then.

Turnover, in CHF million	Q4 2020	Q4 2019	Reported Growth	Organic Growth
Europe, Middle East and Africa	192.5	1,069.4	-82.0%	-81.3%
Asia Pacific	25.5	166.3	-84.7%	-83.8%
Central and South America	106.7	465.9	-73.2%	-69.5%
North America	130.6	398.4	-72.0%	-69.7%
Distribution Centers	31.9	66.5	-52.0%	-42.5%
Dufry Group	487.2	2,166.6	-77.5%	-76.0%

Turnover, in CHF million	FY 2020	FY 2019	Reported Growth	Organic Growth
Europe, Middle East and Africa	1,144.5	4,434.2	-74.2%	-73.2%
Asia Pacific	160.0	691.6	-76.9%	-75.4%
Central and South America	497.3	1,536.1	-67.6%	-65.8%
North America	644.4	1,935.8	-66.7%	-65.3%
Distribution Centers	114.9	250.9	-54.2%	-40.4%
Dufry Group	2,561.1	8,848.6	-71.1%	-69.8%

Message from CEO Julián Díaz

Julián Díaz, CEO of Dufry Group, commented: “While Dufry has evidently been impacted by the COVID-19 pandemic as have many other companies in the travel and tourism industry, I have seen a deep emotional engagement and a strong determination by all our employees to overcome this challenging situation. From the Board of Directors, to our management teams and throughout all levels of our organization, we have worked in close alignment to find, plan and implement the right solutions to mitigate the impact of this crisis and lay the foundations upon which we will emerge as a stronger company.

“This positive attitude and dedication has allowed us both to adapt the company to the new market environment very quickly and to implement important and resilient cost savings, thus preparing our organization for the recovery and beyond. In parallel, we have succeeded in putting the company on solid financial ground and seized opportunities, which provide remarkable growth potential and contribute to the future development of Dufry.

“With the successful financing measures implemented in 2020, the support of existing and important new shareholders, the finalization of our reorganization as well as the financial and managerial flexibility to engage in strategically relevant initiatives and growth opportunities Dufry is well positioned to drive recovery and growth acceleration beyond the current crisis.

“More than ever, my immense gratitude goes to our employees and management teams for their ongoing motivation, dedication and extraordinary efforts, in supporting the restructuring, negotiating with our business partners and securing the financial strength of the company. We have created a solid and resilient base on which we can build going forward.

“On behalf of the whole company, we also want to remember the colleagues we have sadly lost and extend our condolences to their families, while wishing any colleagues who suffered with the virus a swift and full recovery.”