

Weathering the Perfect Storm

We have gone through the most severe crisis in the 157-year history of Dufry – and have emerged financially solid, more efficient, commercially stronger and with growth opportunities ahead. The last two years have required significant changes and included tough decisions, both from a professional as well as personal perspective. Securing strong support by all our stakeholders has been key to weathering the perfect storm for a travel-related company like Dufry.

By Yves Gerster and Kristin Köhler

Dufry is the 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, in more than 420 locations in 66 countries across all six continents. We have generated revenue of close to CHF 9 billion in 2019 prior to the outbreak of the pandemic. In 2020, those revenues dropped by 70%, with the lowest point in May as nearly all global operations were required to close, and revenues stood at -94%. We had significant cash outflows without generating revenues and needed to act fast and decisive, first on securing liquidity and cutting costs; as the pandemic and related travel curbs dragged on, also with structural changes.

We share here our key take-aways and learnings, which helped us not only through the last two years but will remain relevant beyond.

1. Bringing all stakeholders on board: Early on, to secure a sufficient liquidity position was among the main objectives to give us the time and flexibility to implement all necessary measures to adapt the business to the new environment. The relationships we have built prior to the crisis with our banks, bondholders, shareholders as well as landlords and suppliers helped us tremendously when negotiating within the shortest amount of time liquidity facilities, covenant waivers, rent reliefs, extended payment terms and issuing equity and convertible bonds. The quality of any relationships proves itself during difficult times, and it is well-worth to invest ahead.

2. Acting fast: Speed was of immense importance, and we needed to adapt our organization to shorten reaction times in an extremely volatile and uncertain environment. We eliminated divisions and have the countries report directly to the headquarters. We delisted and re-integrated our North American business, while at the same time implementing financing measures with inflows of around CHF 2 billion.

3. Getting operational: All management teams have been deeply involved in the daily operations. To give you an example, every single payment has been reviewed and approved by CEO and CFO throughout 2020. Each concession agreement and progress on negotiations were tracked, as well as the inventory situation monitored with the executive committee being part of the interactions with suppliers and landlords.

4. More is more: The level of interest from all stakeholders to interact with Dufry has significantly increased throughout 2020 and 2021. In investor relations, we had more than 3,500 (virtual) meetings, calls and interactions, which needed to be much more frequent. The same applied to interactions with banks, rating agencies, suppliers, landlords, and other business partners.

5. Communicating in scenarios: In times of limited – or no – visibility information still remains key. Stakeholders acknowledge that no guidance can be given but want to see how the company approaches the situation. Communicating in scenarios has in our case proven to be a much appreciated strategy. In an environment where turnover development could not be reliably predicted, providing sensitivities for various scenarios significantly helped the financial community to understand potential impacts as well as the setup Dufry has created to react flexibly.

6. Reducing complexity: For a travel retail concessionaire with more than 1,000 contracts globally reporting is complex, mainly because of the accounting standards treatment on leases. We increased the disclosure level and provided additional information on accounting-treatments with breakdowns by contract cases. In addition, analyst teach-ins gave further clarification.

7. Balancing stakeholder requirements: The challenge we had to tackle was to satisfy the individual expectations of an audience including 18 equity and several credit analysts, rating agencies, shareholders and investors, bondholders, lending banks, proxies in addition to all internal stakeholders. However, the first focus was on our teams. Throughout the last two years, the whole organization had to manage extraordinary workloads in a stretched environment. In addition, we needed to let employees go to secure the continuation of our business - the hardest decision to be made. It would not have been possible to manage the external requirements, maintaining or even improving the level of disclosure and engagement, and implementing all necessary steps without the strong support of our teams. Transparent communication, internal alignment and collaboration was key, to then serve all external stakeholders.

8. Returning to normal: As soon as the situation allowed, we returned to resuming physical meetings again with our key stakeholders. The quality of the meetings is a different one compared to all the Zoom and Teams meetings. Being there in person also symbolizes a return to normal – a message which is especially important to convey as the globally leading travel retailer. Referring to IR, this was especially appreciated by our analysts and investors in Europe as well as in the US.

9. Not sacrificing the long-term: While we had to focus on immediate measures, we tried not to sacrifice our long-term initiatives. These include commercial innovation, digitalization, exploring adjacent areas of our business and our ESG engagement. We have progressed significantly on our environmental commitment, sustainable product assortments and employee engagement. We are convinced that sustainability will contribute to the recovery and future development of Dufry.



CFO Panel: From numbers hero to Chief Value Officer

In this panel discussion at the annual Geschäftsberichte-Symposium on June 13, CFOs Manuela Suter (Bucher Industries) and Yves Gerster (Dufry) reveal what they think about current and future challenges and the trends that are transforming the duties of a modern CFO.



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