

ARI business outside Ireland loses US\$80.2 million in 2020

Due to the response to the COVID-19 pandemic, Aer Rianta International (ARI) business outside of Ireland lost €66.5 million (US\$80.2 million) in 2020. This compares to a profit of €13 million (US\$15.64 million) in 2019. Figures for ARI's business in Ireland were not released.

The company's 20% stake in Düsseldorf Airport accounted for €26 million (US\$31.3 million) of those losses, but all ARI locations globally suffered losses.

ARI's retail activities span 14 countries on all continents with the exception of Africa, and holds shares in Düsseldorf Airport in Germany, and in Hermes Airports in Cyprus.

Comments from CEO Hernan

"Like all of our peers in the global travel retail sector, ARI had a very difficult year in 2020," said ARI Chief Executive Ray Hernan. "Our turnover for last year was affected by the pandemic in all locations, and we saw significant disruption due to travel restrictions and border closures. All of our outlets with the exception of Bahrain Duty Free and Qatar Distribution Centre were closed for a time during 2020, some for extended periods."

"Given the major fall in turnover that we saw across all markets, the main focus for the year was managing our cash burn and ensuring that we had liquidity," Mr Hernan said. "We took swift and decisive action in terms of reducing costs, but that was what was necessary to protect the business" he added.

"Difficult decisions were taken in 2020 to ensure the long-term viability of the ARI business. New organisation structures are now in place, but we are confident that these changes - coupled with the talented and dedicated people that we have across all locations - mean that ARI is well placed to take full advantage of the upturn in international travel when it comes."

Mr Hernan praised ARI's people across the business as they faced unprecedented challenges during the year. "I am proud of our wonderful teams in every market in which we operate. Our people had to adapt very quickly their professional and personal lives. They did so with fortitude and good spirits, and they are a huge credit to ARI and the wider daa Group."



ARI CEO Ray Hernan says the company will be ready to drive our business on as passengers return

Airports

Düsseldorf Airport saw passenger numbers fall 74% to 6.6 million last year. As part of an extensive refinancing of the airport, a €20 million subordinated loan facility was provided, some €12 million of which had been drawn down by the end of 2020.

ARI's joint venture operations at Delhi International Airport, where ARI holds a 33.1% stake, started the year well but saw a steep decline after March 2020. Management at Delhi Duty Free have successfully managed cash resources and are "well placed to react speedily" to a recovery.

Middle East

ARI Middle East (ARIME), which has business interests in Bahrain, Cyprus, Lebanon, Oman, Qatar, and Saudi Arabia had a difficult year in all markets, with a particularly challenging situation in Lebanon. The exception was the distribution business in Qatar, which traded in line with 2019.

The new airport in Bahrain formally opened on January 28, 2021, and the contract in Oman has been extended.

Trading in Qatar and Saudi Arabia held up particularly well during 2020, driven by domestic factors in both locations. “ARI’s investment in its Saudi Arabian business — which operates outlets at the domestic Terminal 5 at King Khalid International Airport in Riyadh — completed during the year. Negotiations on an extension to ARIME’s contract in Qatar progressed satisfactorily during the year, and a multi-year extension was agreed. Qatar Distribution Company is the only licensed importer, retailer, and distributor of alcoholic drinks for the domestic duty paid market in Qatar.”

Other locations

ARI’s retail operations in Cyprus had a challenging year; passenger numbers at the two airports decreased by almost 80% to 2.3 million which also impacted the airports’ operator Hermes Airports, in which ARIME has an 11% stake. Despite this all, the refurbishment and upgrading of the retail space in Larnaca was fully completed on time and on budget in August 2020.

ARI operations in Canada and Auckland were severely impacted because of border closures, especially with the loss of long-haul flights and Chinese traffic. The contract in Montreal was extended, however, and the new e-platform was launched in French and English.

In Auckland, ARI recently reopened as an Australia-New Zealand bubble emerged.

During the year, ARI was awarded a five-year duty free retail concession at Tivat and Podgorica airports in Montenegro. Implementation work in Montenegro is complete, and the new store in Podgorica Airport opened recently. The store in Tivat is due to open in June.

Long-term survival

Around the globe, ARI worked with landlords and partners to help weather this incredible storm. Anywhere the retailer was able to accept government aid, it did so.

“ARI management is now focused on ensuring that its retail offer is aligned with consumer expectations in the post-COVID-19 era,” according to Mr Hernan. “Our business is adapting and will remain agile in a travel retail environment that is likely to endure uncertainty for the foreseeable future. But we have a strong balance sheet and liquidity position, coupled with an estate of world-class, award-winning outlets, with great teams and excellent partnership relationships with our suppliers and our airports; we will be ready to drive our business on as passengers return.”