

ARI posts profit upswing in 2019 as pandemic hits business



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Aer Rianta International (ARI) has lifted profits in both its international and domestic Irish businesses in 2019.

International profits at travel retail operator ARI climbed by 17% to €13 million (US\$14.7 million) last year, according to parent company daa’s annual report, which was released on June 5.

However, the global spread of COVID-19 has had a significant impact on ARI’s business in 2020.

“While the increase in profits for last year is very welcome, our business has been badly hit by the collapse in travel due to COVID-19,” said ARI Chief Executive Officer Ray Hernan.

All but one of ARI’s retail outlets have been closed, while its supply business in Qatar continued to operate.

ARI said it was taking action to mitigate the financial and operational impact of the pandemic as far as possible, with a range of cost reduction and other measures across the organization.

“We’re working with our airport partners in every location and we’re adopting a collaborative and solution-orientated approach,” said Hernan. “ARI has a long track record of adopting a partnership approach both with airports and suppliers and I think that will stand us in good stead during this

current crisis.”

Reopening plan

ARI has devised a reopening plan for its locations, with a clear focus on the health and safety of both passengers and colleagues coupled with “outstanding” commercial offers. However, Hernan is cognisant of the fact that when countries begin to relax restrictions around travel, customer shopping behaviors will change and ARI has dedicated teams working to deliver on these expectations in new ways.

Hernan believes there will be a higher demand for click and collect and other digital/virtual shopping options for passengers.

“The COVID-19 pandemic and the resulting financial crisis over the past number of weeks is without doubt the largest shock that the global economy has ever experienced with every aspect of our business being impacted,” Hernan said. “Experience is everything at ARI and we are working relentlessly to ensure we continue to provide that enjoyable customer experience where we can when travel resumes.”

While its stores have been closed in recent weeks, ARI has used technology to stay in touch with its employees and to broaden their knowledge base via its Knowledge Hub learning platform and virtual training programs.

ARI prides itself on being the world leading retailer in Irish whiskey and has been conducting live training and tastings with employees to expand their knowledge of the fast-growing category.

Strong like-for-like growth

ARI’s international business experienced good sales growth in 2019, with strong like-for-like growth across the international portfolio. Gross margins continued to increase through ARI’s central global buying structure.

ARI’s profit on ordinary activities after taxation and non-controlling interests was €13 million (US\$14.7 million) compared to €11.1 million (US\$12.6 million) in 2018. The profit figure only relates to ARI’s overseas business.

In Ireland, ARI operates its retail business The Loop at Dublin and Cork airports, and also manages several retail concessions at both airports. Total sales at Dublin and Cork airports, including retail and food and beverage sales by concessionaires, increased by 5% to €348 million (US\$393 million) in 2019.

Last year, ARI made a significant investment in a new Beauty Hall – now said to be Ireland’s largest – at Terminal 2 in Dublin Airport as part of an overall upgrade of more than 2,000 square meters of airside retail space.

The completion of the project was a significant milestone for the company’s domestic retail business. The new 944 square meter retail space is twice the size of its predecessor, and opened with 90 brands on offer, including 30 brands that were new to Dublin Airport across fragrance, skincare, makeup and hair care categories.

A new flagship confectionery store was also opened in T2 in August.

Bahrain contract extension

ARI's joint venture operations at Delhi International Airport, where the company holds a 33.1% stake, had another year of strong sales growth, with turnover up almost 13% year-on-year.

Delhi Duty Free's Departures store was upgraded during the year, which followed the successful opening of a new Arrivals store in 2018.

ARI Middle East (ARIME), which comprises businesses in Bahrain, Cyprus, Lebanon, Oman, Qatar and Saudi Arabia and is the largest multi-location travel retailer in the region, had another solid year in 2019. ARIME has extended its management contract with Bahrain Duty Free for a further 10 years.

The company's business in Beirut traded well for much of 2019, but experienced disruption due to the high levels of civil unrest towards the end of the year.

The Midfield Terminal at Abu Dhabi's International Airport is now scheduled to open in 2021. ARIME will operate various stores at the new terminal, including perfume and cosmetics, sunglasses and jewelry outlets.

ARI's retail operations at Larnaca and Paphos airports in Cyprus had a good year. The sales performance was marginally down as expected, due to the significant refurbishment of the retail area in Larnaca Airport, resulting in 30% less retail space for much of the year.

The larger and enhanced perfume and cosmetics offering opened at Larnaca at the end of October 2019 and the new liquor store opened post year-end in January 2020. The refurbishment work at Larnaca is expected to be complete within a couple of months.

Passenger numbers at Larnaca rose by 2% to 8.2 million, while Paphos saw its passenger numbers increase by 6% to 3 million. Total passenger numbers for Hermes Airports, in which ARIME has an 11% stake, were up by 3% to 11.3 million.

Solid Canada performance

ARIME continues to provide management support services to the duty paid retail operation in Terminal 5 at King Khalid International Airport, Riyadh, Saudi Arabia. The first of these outlets opened in January 2018 under a seven-year contract.

ARI's retail operations in Canada and Auckland performed "solidly" in 2019, with sales increasing by 7% in both locations underpinned by passenger volume growth and improved average passenger spends. Profits were down in Auckland due to an increasingly competitive environment. Profit levels in Canada were satisfactory and above 2018 levels, the operator said.

ARI won a number of global awards last year. ARI North America (ARINA) was named the Best Airport Duty Free Operator in Canada for the fourth year in a row at the Frontier Duty Free Association Convention.

Delhi Duty Free picked up corporate and individual awards during the year, which included Travel Retailer of the Year from the India Retail & eRetail Congress.

ARI Ireland's digital platform theloop.ie won a Best Food & Drink eCommerce Award and Best Travel, Ticketing & Entertainment eCommerce Award at the 2019 eCommerce and Payment Awards.