

Dufry CEO addresses sales and recovery plan in conference call

During Dufry's conference call on April 23 with Julián Díaz, CEO and Yves Gerster, CFO, Díaz discussed sales, potential losses, and highlighted a number of initiatives based on the company's action plan.

YTD sales

In discussing the sales so far this year, Díaz said the first three weeks of January saw very accelerated organic growth. By the end of January the impact of the virus could be seen in Asia and then expanded to other destinations, in particular those with a higher number of Chinese international travelers. February's revenue dropped to -7 percent year on year, and year to date revenue was down -2.3% by the end of the month. March saw the pandemic go truly global, with sales down -56.6 percent in the month to bring the year to date sales down -22 percent. The first two weeks of April revenues were down -90 percent year on year.

At the end of January the company devised a number of initiatives to drive sales, secure cash and control cash flow, with the main goal of "protecting the liquidity of the company," according to Díaz.

Revenue expectations and recovery

While the company has confirmed that it will be able to withstand even an 80% drop in revenue, Díaz stated that the expected "worst case scenario" is -70% drop. If this worst case comes to pass, the company expects normalization in the year 2022, though Díaz states he feels this plan is "pessimistic".

If revenue decreases are in the -40% to -50% range, then Díaz sees a return to normality by late 2020 and mid-late 2021, respectively.

Duty paid and domestic

Dufry's sales are in large part from duty paid stores at roughly two-thirds and duty free at approximately one-third. This is beneficial to the company during this crisis, as domestic air travel is expected to pick up first, followed by regional and finally intercontinental.

Díaz states that the company hopes and expects domestic market travel to begin rebounding in May or June of this year. The company has reduced costs to a minimum while maintaining a level of activity that will allow operations to restart as soon as airports re-open, he says.

Landlord negotiations

Dufry has been in negotiations with landlords over concession fees. "Our position is that at airports where retail is closed in the country, MAGs should not be paid. We continue to look for solutions and have received positive feedback from landlords so far." Díaz says, adding that negotiations will continue once these airports and stores reopen. He says the company's strategy is to pay the variable element, which is a percentage of sales, where there is no clear picture of recovery. He says approximately 25% of its concessions are exposed to MAG.

Dufry's relationship with suppliers is currently on hold. Díaz says both sides of this business arrangement are in agreement that they should wait until they have a better idea of how the coming

months will progress. He believes they will likely reach this point next month.