Dufry AG

Completion of Autogrill deal with Edizione is credit positive

On Friday evening airport retailer Dufry AG (B1 stable) announced it had completed the acquisition of the 50.3% stake previously owned by Edizione in Autogrill, the travel-related food and beverage provider. The all paper transaction, agreed in July last year received the necessary regulatory approvals in January.

The deal is credit positive as Dufry will benefit from greater scale and revenue diversification, as well as an uplift in its exposure to the large and resilient US market. Cost synergies and the potential for stronger relationships with airport landlords and brands that both businesses sell will also be positive for the company's credit profile.

In the coming months Dufry will launch a mandatory tender offer (MTO) for the remaining 49.7% of Autogrill on either (a) the same exchange ratio as agreed with Edizione, 0.158 new Dufry shares for each Autogrill share; or (b) a cash payment of €6.33 per Autogrill share. Depending on the MTO results Edizione will ultimately have a stake in Dufry of between 20% and 25%, making it the company's largest shareholder.

The maximum cash cost of the MTO will be around CHF1.2 billion, and our expectation remains that Dufry will fund this with a mixture of debt and equity. On the basis of the profit guidance upgrade published by the company in November, we expect Dufry's standalone 2022 Moody's-adjusted leverage to be around 6x, well inside our forecast of over 7x when we commented on the Autogrill deal in July. On this basis, even assuming that all Autogrill shareholders chose the MTO's cash option and Dufry funds it all with additional debt, we estimate that pro-forma 2022 leverage for the enlarged business would be 5.5x.

With air traveller numbers continuing to recover around the world we see potential for Dufry to deleverage further during the course of this year as its revenues and profitability increase. The refinancing of the company's 2024 bank debt maturities in December was also credit positive, and on the basis of a timely handling of the maturity of its €800 million bonds due in November 2024 we continue to expect the company to maintain good liquidity.
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