

# STATEMENT OF THE CHIEF EXECUTIVE OFFICER DEAR ALL

While Dufrey has evidently been impacted by the Covid-19 pandemic as have many other companies in the travel and tourism industry, I have seen a deep emotional engagement and a strong determination by all our employees to overcome this challenging situation. From the Board of Directors, to our management teams and throughout all levels of our organization, we have worked in close alignment to find, plan and implement the right solutions to mitigate the impact of this crisis and lay the foundations upon which we will emerge as a stronger company. This positive attitude and dedication has allowed us to adapt the company to the new market environment very quickly and to prepare our organization for the recovery and beyond. In parallel, we have succeeded in putting the company on solid financial ground and seized opportunities, which provide remarkable growth potential and contribute to the future development of Dufrey.

As a result of the considerable travel restrictions and the consequent drop in passenger numbers our turnover reached CHF 2,561.1 million in 2020 versus CHF 8,848.6 million in 2019, equal to a decrease of 71.1%, while organic growth came in at -69.8%. On the positive side however, Dufrey reported a reassuring liquidity position of CHF 1,905.7 million at year-end 2020<sup>1</sup>.

## **Strong company values supporting transformation**

Dufrey's values, which have characterized the development of the company in the past, have again proven to be of great support and key success factors. Our management teams and employees have built on their strengths of determination, execution, delivery and resilience to drive the restructuring and successfully implement the new organization, which became effective

on September 1, 2020. The total cost savings implemented through the reorganization of the company amounted to CHF 1,312.1 million in the full-year 2020, including reductions in concession fees, personnel expenses and general expenses. Through the new organization, cost cuttings and the increased efficiency, Dufrey is well prepared for the recovery phase and emerging as a powerful player within the travel retail industry.

## Company successfully adapted to the new environment.

In this context, I want to express our gratitude to all our employees, who have contributed to Dufrey's growth in the past, and I hope that the colleagues who have had to leave the company can soon seize new, rewarding opportunities and continue their careers successfully.

## **Important investors supporting financial position and liquidity levels**

In the second and the fourth quarters, we succeeded in closing significant financial transactions aimed at strengthening Dufrey's financial position and securing enough liquidity to allow the company to endure a prolonged period of disruption, even if the pandemic and travel industry recovery takes longer than expected. Through the capital increase in October, as well as the issuance of the convertible bonds and the share placement in the second quarter, the company generated total gross proceeds of CHF 1,992.9 million. Existing and new shareholders as well as bondholders have confirmed with their participations their trust and confidence in Dufrey and have provided remarkable

<sup>1</sup> For a glossary of financial terms and key performance indicators please see page 239 of this Annual Report.

# 2,300

Dufry is a real global player operating over 2,300 shops throughout all six continents.

support for the positive perception of our company's resilience.

### **Promising new partnerships**

The joint-venture established with Alibaba Group to jointly seek opportunities to drive travel retail in China, as well as to accelerate Dufry's digital transformation on a global scale, provides a considerable growth potential in Asia and with Chinese customers worldwide. The partnership combines Alibaba's ecosystem of 800 million consumers and their digital experience with our extensive travel retail expertise.

## Relevant new partnerships.

As a first result of this joint-venture, in early January 2021 we signed an important agreement with Hainan Development Holdings to develop the Mova Mall duty-free operation in Haikou. Dufry will support the newly opened Global Duty Free Plaza shop with its global experience in travel retail including its proven knowhow in procurement, supply chain, marketing and shop-design. The new downtown duty-free shop, spans over 38,920 m<sup>2</sup> across two buildings of the Mova Mall, Aquarius and Capricorn, and saw the first phase open right on time for the 2021 Chinese Spring Festival at the end of January.

### **Footprint extensions and ongoing refurbishments**

Despite the difficult business environment in 2020, we have also continued to increase our diversified footprint with promising new concessions such as the new twelve year contract won at the Sabiha Gökçen Airport in Turkey,



operational from November 2020, as well as the seven year extension of the Pulkovo airport operation in St. Petersburg, Russia.

Dufrey opened in total gross new retail space of 9,600 m<sup>2</sup> or 2.0% of overall retail space distributed across 39 shops such as Sabiha Gökçen, Istanbul (TUR), Florianopolis (BRA), Macao (MO), Odessa (UKR), Singapore (SG), Phoenix, Boston (US). This includes the new ANECDOTE conceptual store at The Circle at Zurich Airport (CH), which serves both travelers and customers from the Greater Zurich Area with a selection of core category products, fashion & accessories and an appealing convenience assortment.

## Ongoing footprint expansion.

Furthermore, shops in Stansted (UK), Corfu, Mykonos, Thessaloniki (GR), Antalya (TUR), Belgrade (SRB), Nashville (US), Macao (MO) and Fortaleza (BRA) among others, have seen refurbishments as a proven method to sustainably drive sales in existing locations. Total refurbishments in 2020 amounted to 12,800 m<sup>2</sup> or close to 3% of overall retail space operated by Dufrey.

With respect to future growth opportunities, Dufrey had at year-end already signed contracts for an additional 8,000 m<sup>2</sup> of retail space to be opened in 2021 and was considering a project pipeline of 31,500 m<sup>2</sup>.

### Digital strategy to drive sales further expanded

The deployment of the digital strategy contributes to attract more customers to the shops, increases sales, and ideally complements the physical shops and traditional strong impulse buying behavior of our affluent and captive audiences. Dufrey's digital strategy builds on a multichannel approach to increase customer touch-points and includes four key elements: the New Generation Store concept, the Red By Dufrey customer loyalty program, the Reserve & Collect online ordering platform, and Dufrey's proprietary social media channel, Forum by Dufrey.

Within the expansion of the New Generation Store concept, in 2020 we have further increased the number of highly digitalized shops to 50 locations, which complement the existing 13 full-blown New Generation Stores already in operation. These shops communicate with customers in different languages and adapt promotions and marketing campaigns to the customer profiles and nationalities present at the specific airports at any given time of the day. The New

Generation Stores also include sales tablets, which help staff better serving our customers with more detailed product and other sales related information. Sales tablets are currently in operation across 111 shops in 35 countries.

Red By Dufrey, our customer loyalty program, is now accessible to an increased customer community in 239 locations across 48 countries. In addition, we have expanded the number of services and benefits for customers by engaging with airport and brand partners around the world. At the end of 2020, Dufrey's CRM database included over 5 million customers – a database we intend to expand further in 2021 and beyond.

Our Reserve & Collect service, allowing customers to order online and pick-up their purchases when departing or upon arrival, is increasingly used and is now available in 175 airports in 44 countries worldwide. Customers using Reserve & Collect tend to generate higher ticket sales as compared to traditional average in-shop sales.

## Digital strategy further accelerated.

In 2020, we have also evolved our social media channel Forum by Dufrey, which is now available in 4 languages, connects all of our digital dots and adds emotion and experience with content provided by brands, bloggers and influencers, highlighting the attractiveness of the travel retail channel.

### Valuable marketing intelligence and customer insights

In previous years, Dufrey has considerably extended its market research and has done even more so in 2020, as the anticipation of customer behavior and expectations are key. This year's surveys have provided valuable and reassuring insights confirming the resilience of the business.

## Reassuring customer insights.

With respect to the short-term behavior and the confidence of customers to travel, we have received clear indications in the fourth quarter that 48% of customers already had a flight booked for the next 6 months, coupled with an increasing confidence that the trip will happen – this includes increasing confidence among

business travelers as well. With respect to shopping habits, we have seen the fundamental trends towards exclusive items, novelties, gifts and local products reinforced, alongside customers' ongoing interest in finding great deals through attractive discounts.

### **Confident outlook for the resilience of our business**

With the successful financing measures implemented in 2020, the support of Dufrey's existing and important new shareholders, the finalization of its reorganization and restructuring and the financial and managerial flexibility to engage in strategically relevant initiatives and growth opportunities, Dufrey is well positioned to drive recovery and growth acceleration beyond the current crisis. Moreover, marketing research, conducted by the company in the second and fourth quarters, confirms the propensity of customers to travel and their confidence and willingness to shop in duty-free locations. Combined with the secular passenger growth, these are reassuring indications for the fundamental resilience of the travel retail industry and the company.

### **Thank you**

First of all, I want to thank our customers, who despite the challenging travel conditions experienced this year have continued to visit our shops, appreciating our offerings and generating sales and thus directly supporting the company. The trust we have received from over 150 nationalities we serve every day is very encouraging and we will continue to refine our product assortments and services, to ensure that any visit made to one of our stores is a memorable experience.

More than ever, my immense gratitude for ongoing motivation and dedication goes to our employees and management teams for their extraordinary efforts, in supporting the restructuring, negotiating with our business partners and securing the financial strength of the company, which ultimately has created the solid and resilient base on which we can build going forward. This impressively demonstrates the strong level of employee engagement and commitment to Dufrey.

On behalf of the whole company, we also want to remember the colleagues we have sadly lost and their families, while wishing any colleagues who suffered with the virus a swift and full recovery.

I also want to thank our suppliers, landlords and business partners for their renewed support and their willingness to find mutually beneficial solutions to jointly overcome the current crisis in a spirit of true partnership. We have clearly seen that the common success of all industry players in travel retail is highly depen-

dent on strong collaboration, which I look forward to fostering even more going forward.

Last, but not least, I thank our Board of Directors and our shareholders for their ongoing support, trust and contributions in making Dufrey even more WorldClass. WorldWide.

Best regards,



Julián Díaz González