

# STATEMENT OF THE CHIEF EXECUTIVE OFFICER DEAR ALL

The 2021 business year has again been demanding for all our teams and colleagues, and they have responded to the challenges with remarkable dedication and engagement to support the company. In an environment of gradual recovery for the industry and with travel resuming at different speeds in individual countries and regions, Dufry has continued to flexibly adapt its ways of working to the ever-changing requirements. The strong motivation of our teams has allowed us to successfully implement our shop-by-shop reopening strategy and to reach a level of 80% of shops opened at the end of the year, representing a potential sales capacity of 88% as compared to 2019.

Supported by the resilient willingness of our customers to travel and their ongoing propensity to visit our stores, our turnover saw a reassuring acceleration through the course of the year and amounted to CHF 3,915.4 million in 2021 versus CHF 2,561.1 million in 2020, equal to an increase of 52.9%. Accordingly, organic growth improved as well and reached 53.2% in 2021 as compared to -69.6% in 2020.

## **Strong cash flow generation and solid liquidity position**

Since May 2021, Dufry has been generating positive cash flows, supported by the acceleration of the business, as well as the ongoing focus on cost management. Having implemented the initiatives already defined in 2020, such as negotiating MAG reliefs and tightly controlling personnel and other expenses, and continuously applying these in 2021 as well, has allowed us to overachieve the expected levels that were defined in early 2021 and to save CHF 1,919.7 million in total. Altogether, this resulted in a remarkable equity free cash flow (EFCF) generation in Q3 2021, which amounted to CHF 253.7 million and reached similar levels as in the record third quarter of 2019. The positive

cash flow generation trend continued throughout the second semester of 2021, reaching similar levels overall as in 2019 and allowing us to considerably overachieve our original EFCF target for the full-year 2021. Our equity free cash flow at the end of 2021 amounted to CHF -33.4 million (2020: CHF -1,027.3 million).

## **Strong cash flow generation capability confirmed.**

Through the combination of the comprehensive cost saving and efficiency measures, the reorganization of the company and a first set of financing transactions implemented in 2020 and the several refinancing initiatives executed in the first and second quarters of 2021, we reached a very solid liquidity position at year-end of CHF 2,243.9 million. By using a mixed portfolio of financial instruments, in 2021, we generated total proceeds of CHF 1,619.9 million and we do not have any significant maturities before 2024. This is an important achievement as we confirm our position as a leading and powerful player in the travel retail industry and we are well prepared to continue focusing on further organic growth acceleration in 2022.

At the beginning of 2022, Dufry agreed with its lending banks on an extension of the previously agreed covenant holiday until and including June 2023. The September and December 2023 testing deadlines require a 5.0x net debt / adjusted operating cash flow before the company will return to its 4.5x net debt / adjusted operating cash flow threshold in 2024.

## **Driving sales through new openings and refurbishments**

Amongst the several refurbishment and new openings in 2021, the highlights worth mentioning were the Rio

<sup>1</sup> For a glossary of financial terms and key performance indicators please see page 231 of this Annual Report.



Throughout 2021, we have seen a considerable acceleration of our operational performance supported by our shop reopening strategy as well as the ongoing implementation of efficiency measures and tight collaboration with landlords and suppliers.

Julián Díaz González

# 470,000 m<sup>2</sup>

Dufry operates close to 470,000 m<sup>2</sup> of retail space.

Galeão Dufry Shopping Megastore (BR), several shops at Pulkovo Airport in St. Petersburg (RU), the extensive redesign at Milano Linate International Airport (IT) and the completely renewed Brookstone shop concept in the US. With the opening of the Group's first full-seated restaurant concept "Plum Market" at Dallas Fort Worth International Airport, we have not only enhanced our airport F&B footprint in the US, but also underpinned once again our diversification strategy aiming at developing alternative channels within the travel retail sector.

## New openings driving sales.

At the very beginning of the year we started with the opening of the Global Duty Free Plaza at the Mova Mall in Hainan, where we collaborate with Alibaba and Hainan Development Holdings to offer customers a comprehensive assortment of around 200 renowned global brands in an attractive shopping environment, which in its final form will cover close to 39,000 m<sup>2</sup> of retail space. This is globally the largest single shop location with Dufry participation and offers customers an extensive array of online services tailored to the habits of the mainly Chinese audience. In total, Dufry opened 9,797 m<sup>2</sup> of new shops and refurbished 19,243 m<sup>2</sup> of sales space, corresponding to 2% and 4% of our total space respectively.

### Extended shop digitization & automation

Besides further extending the reach of our existing online customer services, such as Reserve & Collect and Red By Dufry - now available in 48 countries and 239 locations respectively -, in the US we have launched the new Hudson Nonstop shop concept. It allows customers to enter the shop by just tapping their credit card, chose from a selection of the traditional travel convenience product assortment and leave the shop

without going to the till and without any human interaction.

## Increased shop digitization.

Hudson Nonstop uses Amazon's Just Walk Out technology, which is currently in operation at Chicago Midway International Airport and at Dallas Love Field Airport. In 2021, we have also accelerated the deployment of self-check-out tills, which have been well received by our international customer base in 5 countries with over 100 units in operation across 31 shops. Both new developments are testimony to our ongoing focus to drive the company's digitalization to simplify processes and generate efficiencies.

## Ongoing footprint expansion.

### Securing business resilience through new concessions and contract extensions

In 2021, we also succeeded in winning several attractive new concessions and expanding important contracts across all our regions, thus adding solid contributors to the resilience of the business. Amongst the most important new wins are: the contract at Teesside International Airport (UK) for twelve years, further consolidating our footprint in the UK; the new concessions at Martinique Aimé Césaire International Airport for ten years and at Cayenne Felix Eboué International Airport in French Guiana for five years; the new wins at Sangster International Airport in Montego Bay, Jamaica, for five years and six years for the duty-free and the duty-paid concessions respectively, as well as at Salgado Filho International Airport in Porto Alegre (BR) for six years. Extensions of existing con-

tracts have been awarded at Santiago International Airport, the second largest hub for the Dominican Republic, for ten years; at Cardiff Airport (UK) for 12 years and in Cambodia covering the airports of Phnom Penh, Siem Reap and Sihanoukville for five and a half years. At the end of 2021, Dufrey's pipeline included projects covering 38,700 m<sup>2</sup> of potential additional retail space.

### **Listening to customers to anticipate new expectations**

Throughout 2021, Dufrey has continued with its intensive market research to directly assess and identify any potential new customer behavior or expectations as a key instrument to drive sales. One of the findings identified, was the increased interest in the availability of sustainable products, which we have satisfied with our sustainable product identification initiative described below.

## **Customer insights are reassuring for business resilience.**

Our regular customer surveys have also provided valuable and reassuring insights underpinning the resilience of the business. Above all is the confirmed willingness of customers to continue to travel as soon as restrictions are lifted, which is a reassuring indication for the industry's recovery and which has been further confirmed by the increased bookings and flights made as the year has progressed. This has also included increasing business travel and the first re-opening of cruises. Another important indication is the confirmation of the fundamental trends towards experiences, exclusive items, novelties, gifts and local products, alongside customers' ongoing interest in finding great deals through attractive discounts. In this context as compared to 2019 gifting has confirmed its importance as buying reason, while an increasing number of shoppers perceive the savings potential of our offers.

### **ESG strategy implementation considerably accelerated**

As previously announced, in 2021 we have defined science-based-targets (SBT) to achieve climate neutrality by 2025 for scopes 1+2 and to considerably reduce carbon footprint of our scope 3 emissions by cooperating with our suppliers and logistic partners. In detail, for scope 3 we will engage with suppliers to cover 50% of our product procurement through SBT com-

mitted suppliers by 2027 and reduce carbon footprint of our upstream logistics by 28% until 2030. Besides implementing these major milestones to protect the environment, we have also launched our new sustainable product identification initiative across 128 airports and 171 shops globally helping our customers to shop considerately. We have also further evolved the substitution of plastic bags by introducing biodegradable alternatives, mainly paper in 15 countries.

## **Important ESG milestones implemented.**

From a more internal perspective, we have also evolved our diversity & inclusion engagement, setting up a D&I Committee and performing a dedicated D&I survey to learn more about and listen to the feedback of our employees. With its global reach and covering over 70% of our staff, the survey provides representative findings on our employee's perspectives and highlights areas where we can improve further. In the context of providing equal opportunities to all our employees without any form of discrimination, we have also succeeded in obtaining the recertification of the Equal Salary Certification in Switzerland, which we first achieved in 2019. For a detailed view of all our ESG achievements in 2021, please refer to the ESG Report on pages 73–109.

### **Encouraging outlook for business recovery and resilience**

The acceleration of passenger traffic, the increased sales levels – also supported by higher spend-per-passenger compared to before the pandemic – and the increasing vaccination levels are encouraging signs for the ongoing recovery of the industry and our business performance. While during the recent winter months, some countries had to temporarily raise regulation levels to protect health and safety, the overall trends to ease cross-country and domestic air travel continued and were gradually extended.

With the successful re-financing measures implemented in 2021, the consolidation of our company organization and the further enhanced financial and managerial flexibility to engage in strategically relevant initiatives and growth opportunities, Dufrey is well positioned to drive recovery and accelerate growth going forward. Furthermore, market research conducted by the company throughout 2021, confirms the propensity of customers to travel and their confi-

dence and willingness to shop, be it in duty-free or duty-paid travel areas. Combined with the secular passenger growth, these are reassuring indications for the fundamental resilience of the travel retail industry and the company.

As communicated on February 21, 2022, I will step down as CEO of Dufry as of May, 31, 2022 and I will not stand for reelection to the Board of Directors of Dufry at the AGM 2022. I would like to express my gratitude to all our stakeholders and particularly to the Board of Directors and to all colleagues at Dufry for the support I have received during the past eighteen years. Without the strong dedication for execution and tireless commitment of every single employee, we could not have built the leading player of our industry. I am immensely grateful for the opportunity I had to lead and contribute to the development of this great company and I wish the Dufry family a prosperous future.

### Thank you

My first thought is to thank our customers, who have increasingly come back and visited our shops, despite the still demanding travel conditions. They have confirmed their appreciation of our offerings and have generated remarkable sales and thus directly supported the recovery of the company. The trust we have received from our customers from over 150 nationalities that we serve every day is very encouraging and motivates us to further refine our product assortments and services in order to offer in every single case a most memorable experience.

Secondly, I want to repeat my immense gratitude to our employees and management teams for their ongoing motivation and dedication and their extraordinary efforts in supporting the resilience and the financial strength of the company, which ultimately has created the solid base on which we can build going forward. This impressively demonstrates the strong level of employee engagement and commitment to Dufry. While we are moving on with confidence, 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 continued support in our common challenge to overcome the current situation in a spirit of true partnership. We have clearly seen that the common success of all industry players in travel retail is highly dependent on strong collaboration, which we look forward to continue fostering going forward.

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

Best regards,



Julián Díaz González