

Hudson scales up shop re-openings as Q1 turnover drops 23% to \$341.5m

Dufry-owned Hudson Group plans to accelerate its trading in the coming weeks after reopening more than 100 shops.

The travel retailer, which runs more than 1,000 shops at airports, commuter hubs and tourist landmarks in North America, has started to resume business as coronavirus (Covid-19) lockdown restrictions ease in some areas and airlines slowly increase their flight rosters.

In a statement coinciding with the release of the company's first quarter results, CEO Roger Fordyce said: Thanks to the hard work and unwavering commitment of our team, and through partnership with our landlords, we have slowly begun the rebuilding process of reopening stores as passenger volume increases.

In doing so, we have taken extraordinary steps to ensure our stores are supplied with ample PPE (personal protective equipment) and that enhanced health and safety measures are in place as we begin to warmly welcome back our team members and customers.

LFL DUTY FREE SALES AT -31.1%

Fordyce says that while the increase in passenger levels is pleasing, they remain approximately 85% down through the second week of June year-on-year.

He continued: Business conditions remain extremely challenging. Our ongoing actions to reduce expenses and manage cash flow are critical in navigating this crisis and positioning Hudson for a full recovery and successful long-term growth.

To that end, Fordyce stresses that while the business recovery remains top of the agenda, Hudson's strategy 'remains intact' with the focus on serving travel partners and growing through a mix of travel convenience, speciality retail, duty free and F&B concessions.



Hudson next-generation store at Norfolk International Airport.

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INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the three month periods ended March 31, 2020 and 2019

IN MILLIONS OF USD (EXCEPT PER SHARE AMOUNTS)	NOTE	UNAUDITED Q1 2020	UNAUDITED Q1 2019 RESTATE ¹
Turnover	4	341.5	445.0
Cost of sales		(128.2)	(161.2)
Gross profit		213.3	283.8
Lease (expenses) / income	7	(13.5)	(27.7)
Personnel expenses		(96.7)	(115.0)
Other expenses		(37.3)	(40.1)
Other income ²	8	2.5	2.7
Depreciation, amortization and impairment	9	(144.6)	(88.6)
Operating profit / (loss)		(76.3)	15.1
Finance income	10	1.0	1.1
Finance expenses	10	(22.3)	(21.9)
Foreign exchange gain / (loss)		-	0.3
Profit / (loss) before tax		(97.6)	(5.4)
Income tax benefit	11	18.9	5.4
Net profit / (loss)		(78.7)	-
OTHER COMPREHENSIVE INCOME			
Exchange differences on translating foreign operations		(23.2)	6.3
Total other comprehensive income / (loss) that may be reclassified to profit or loss in subsequent periods, net of tax		(23.2)	6.3
Total other comprehensive income / (loss), net of tax		(23.2)	6.3
Total comprehensive income / (loss), net of tax		(101.9)	6.3
NET PROFIT / (LOSS) ATTRIBUTABLE TO			
Non-controlling interests		(1.5)	5.8
Equity holders of the parent		(77.2)	(5.8)
TOTAL COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO			
Non-controlling interests		(1.5)	5.8
Equity holders of the parent		(100.4)	0.5
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic earnings / (loss) per share in USD		(0.84)	(0.06)
Diluted earnings / (loss) per share in USD		(0.84)	(0.06)

¹ The amounts presented for Q1 2019 and the related notes differ from the information reported in the interim consolidated financial statements for the period ended March 31, 2019 due to correction of an error identified in the accounting adopted on transition to IFRS 16 Leases. For details please refer to the Company's interim consolidated financial statements for the nine months ended September 30, 2019 (note 2.2)

² In 2019, Other income amounts were presented in Other expenses.

Source: Hudson Group. Click to enlarge.

"To adapt to new traveller expectations, we are further evolving our digital footprint with contactless shopping environments, said Fordyce.

Hudson is phasing in **(PPE) vending machines** at 27 airports across North America. These will dispense health and safety essentials and in some cases electronics products.

The company will also **introduce 250 Sunglass Hut shop-in shops** through its network of eponymous outlets and convenience concepts after striking an agreement with brand owner Luxottica Group.

Turnover decreased by 23.3% to \$341.5 million in the three months ending 31 March due to Covid-1-related damage and the reduction in travel.

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Net sales fell by 23.4% to \$332.8m. Like-for-like sales dropped by 22.5% (-22.4% at constant currency) to \$307.4m. Duty free and duty paid sales on a like-for-like basis sunk by 31.1% and 19.4%, respectively.

Adjusted EBITDA declined by \$43.1m to \$5.4m while gross profit slipped by 24.8% to \$70.5m to \$213.3m. The latter reflected the decrease in sales and an added inventory allowance of \$4.7m due to the extended period of store closures.

4. TURNOVER

IN MILLIONS OF USD

	UNAUDITED Q1 2020	UNAUDITED Q1 2019
Net sales	332.8	434.6
Advertising income	8.7	10.4
Turnover	341.5	445.0

NET SALES BREAKDOWN

Net sales by product category

IN MILLIONS OF USD

	UNAUDITED Q1 2020	UNAUDITED Q1 2019
Confectionery, Food and Catering	138.3	170.0
Perfumes and Cosmetics	49.3	65.3
Fashion, Leather and Baggage	34.2	48.3
Literature and Publications	24.6	35.7
Electronics	20.4	23.0
Wine and Spirits	16.2	21.9
Watches, Jewelry and Accessories	15.9	25.4
Tobacco goods	10.7	14.2
Other product categories	23.2	30.8
Total	332.8	434.6

Net sales by market sector

IN MILLIONS OF USD

	UNAUDITED Q1 2020	UNAUDITED Q1 2019
Duty paid	262.5	333.1
Duty free	70.3	101.5
Total	332.8	434.6

Net sales by channel

IN MILLIONS OF USD

	UNAUDITED Q1 2020	UNAUDITED Q1 2019
Airports	317.4	412.9
Downtown and hotel shops	6.7	10.8
Railway stations and other	8.7	10.9
Total	332.8	434.6

Source: Hudson Group. [Click to enlarge.](#)

Severe curbs on passenger travel and government-imposed restrictions hit footfall and spend levels across Hudson's travel retail stock in North America.

After a climb in sales in January, the situation worsened after the World Health Organization's declaration

Hudson scales up shop re-openings as Q1 turnover drops 23% to \$341.5m of a pandemic in March, a month in which the US implemented a travel ban on European traffic.

Passenger volumes fell more sharply in April, says Hudson, leading to the closure of more than 700 of its shops at airports, commuter hubs, landmarks and tourist hotspots.

In response, Hudson furloughed the majority of its workforce. It has been providing health benefits for at least 60 days and funding 100% of employees health premiums.

Salary reductions were introduced for those in the corporate team and field leadership, while staffing and store hours were cut in certain locations.



Roger Fordyce, CEO, Hudson Group.

SUPPORT OUTREACH CONTINUES

Hudson was able to negotiate agreements with many landlords to abate or defer rents and other financial commitments.

The firm says it continues to work with landlords to secure additional rent relief for current and future tenures.

Operating and capital expenditure has been kept to a minimum, helped by tight inventory management.

Through the support of parent Dufry together with existing cash reserves, operating cash flows and long-term financing agreements, Hudson states it possesses 'adequate funds' to bolster its revised operations plan.

This year, Hudson has secured new business at airports. At La Guardia Airport Terminal B, Hudson added two travel retail convenience stores in the new arrivals and departures hall (*NYC Aglow by Hudson and Mad Ave Market by Hudson*).

At Los Angeles International Airport Midfield Satellite Concourse, the Group introduced two travel convenience stores and two speciality retail stores (*All Saints and NewBeauty*).

Meanwhile, at Atlantic City International Airport, Hudson added four travel convenience stores, including a new combination Hudson/Dunkin store, representing Hudson's first food & beverage concept at the airport.

Additionally, Hudson has extended leases at Charleston International Airport (five years), Des Moines International Airport (four years), Myrtle Beach International Airport (five years) and Atlantic City International Airport (10 years).

While the effects of this global health crisis are unprecedented, the company and our management team have overcome significant business downturns in the past, added Fordyce.

Thanks to the ongoing support of our team members, customers, business partners and landlords, we are in the early stages of our road to recovery and remain confident in the long-term strength of our business model and the resiliency of the travel retail industry.

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TRB BUSINESS