

## Dufry: Strong quarter results in doubling of 9M turnover

Dufry reports that it reached CHF 5,037.7 million for the nine-month period 2022, doubling turnover with plus 98.8% organic growth (in constant exchange rate CER) versus 2021.

For the third quarter, turnover stood at CHF 2,115.2 million, representing an organic growth of 58.6% versus previous year (CER).

Dufry also reports that:

Positive momentum continues into the fourth quarter with October net sales plus 34.5% versus 2021 in constant currency.

CORE EBITDA reached CHF 463.7 million for the nine-months 2022, with a margin of 9.2% despite challenging microeconomics.

Equity Free Cash Flow (EFCF) performed above target reaching CHF 337.4 million for September YTD 2022.

Net debt position further decreased ahead of plan to now only CHF 2,778.5 million as of September 2022, meeting covenant thresholds well ahead of the required timing.

The Autogrill transaction is advancing as planned, with regulatory approvals achieved ahead of

plan in important jurisdictions and, subject to the receipt of all out-standing regulatory approvals, Dufry expects the closing of the first stage – transfer of Edizione’s 50.3% stake in Autogrill to Dufry – by the end of Q1 2023.

Duty free accounted for 56.1% of net sales versus 43.9% duty-paid, reflecting the uptake in cross-border and international flights during the recent months. The airport channel contributed 92.1% of total turnover. By main category, perfumes & cosmetics generated 29.3%, and food & confectionery contributed 21.7%; luxury also saw an increase as compared to last year.

Looking ahead, Dufry says that it is well positioned to reach turnover of around CHF 6.6-6.7 billion for FY 2022, with CORE EBITDA of CHF 560-580 million and EFCF of CHF 250-270 million.

**Xavier Rossinyol, CEO of Dufry Group, commented:** “We continue to see strong demand during the third quarter 2022 at

attractive margins. In particular, holiday destinations in the Mediterranean region, Southern Europe, Middle East, Central America and the Caribbean were driving our performance.

“The USA remained strong, with South American countries having traded upwards. Even in the APAC region, we saw an increase in activity, specifically in Australia and parts of South-East Asia.

“For the nine months 2022 period, we are now trading at CHF 5,037.7 million, representing plus 98.8% organic growth versus 2021 (in constant currency). We achieved this strong performance despite travel disruptions and capacity caps at airports over the summer months, rising inflation and energy prices, FX moves and geopolitical uncertainties.

“We are confident to achieve a strong Full-Year 2022 result despite of the ongoing macro-economic, geopolitical and health-related developments. We continue to see strong demand into the fourth quarter.”

For full earnings report and presentation, [click here: https://www.dufry.com/en/Q3-22](https://www.dufry.com/en/Q3-22).

### CBP publishes modernized Customs Broker regulations

On October 18, U.S. Customs and Border Protection (CBP) announced changes in the U.S. Code of Federal Regulations that will be effective December 19, 2022: “Modernization of the Customs Broker Regulations” and “Elimination of Customs Broker District Permit Fee.”

The new Final Rules modernize customs broker operations by aligning regulations with contemporary business practices, allowing for greater efficiency in the customs broker process.

The Final Rules include the acceptance of electronic forms of payment as well as an increase to license application fees. The new national framework eliminates district permits and the associated fees. Licensed customs brokers will be transitioned into the new national framework by CBP if they were operating with only a district permit and those already with a national permit will not be affected.

“Customs brokers are an integral part of the U.S. and international trade communities. CBP collaborated with the trade community on key recommendations, including a single, national permit for brokers and enhanced electronic processing capabilities, which have been addressed in the modernized customs broker regulations,” said CBP Office of Trade Executive Assistant Commissioner AnnMarie R. Highsmith. “The updated regulations highlight CBP’s efforts to provide customs brokers with the tools they need to effectively operate in the current business environment while preserving robust U.S. trade operations.”

The news of this change was brought to our attention by Miami-based logistics company WTDC, who ran the news in its weekly newsletter.

To see the full announcement from CBP, please click here.

<https://www.cbp.gov/newsroom/national-media-release/cbp-publishes-modernized-customs-broker-regulations>

## Key Drivers Financial and Operational Performance



### Supportive Impacts

- In general, strong underlying demand during Quarter 3 and beginning of Quarter 4
- Travel Retail and Travel F&B as inherent parts of travel experience with high propensity to spend
- Pent-up demand and savings levels – temporary/permanent
- Travel restrictions largely lifted or altered except for parts of Asia (China specifically)
- Geopolitical and macroeconomic developments so far limited impact
- Dufry with continuous cost control and strict CAPEX policies

### Current and Potential Challenges

- Airport disruptions and passenger caps during summer, with reliefs announced as of October (e.g. Heathrow)
- Strong inflationary environment, especially in Europe and USA, impacting costs and potentially consumer sentiment
- Low visibility on geopolitical challenges
- FX movements and potential impact on spending patterns
- Travel restrictions for Chinese passengers remain
- Rising interest rates & pressure on access to/cost of debt
- Rising energy costs, however, utilities only ~1% of turnover
- Supply chain constraints and disruptions with longer lead times, lower predictability and out of stock

## ForwardKeys: “Unstoppable popularity of the Caribbean”

The Caribbean continues to be one of the fastest regions to recover its tourism numbers, with ForwardKeys reporting that the Caribbean is currently welcoming more international visitors than anywhere else in the world.

While the ForwardKeys data highlighted the success of Puerto Rico and the Dominican Republic throughout 2020 and 2021, in 2022 the number of travelers across the region has picked up “dramatically” says the data tracking group.

“The Caribbean is not just about showing a great example of a region recovering but instead about a region that is growing – despite all the macroeconomic factors taking place now such as the slowdown of the world economy, rising costs of petrol and the effects of the war in Ukraine,” says Olivier Ponti, VP of Insights at ForwardKeys.

In Q4 the tourism numbers are accelerating further across many nations, he says. Overseas arrivals from the Dominican Republic are up 40% on 2019 levels, followed by the U.S. Virgin Islands (+33%), Bonaire (+30%), and Martinique (+26%).

“Air connectivity appears to be the key to achieving growth,” says Ponti, noting that Seat Capacity Data shows destinations such as the Dominican Republic and Guadeloupe are performing better thanks to an increase in direct flights since 2019.

### Curacao, Bonaire, and Saint Lucia – attracting new traveler types

Faring particularly well this year, Curaçao and Bonaire are experiencing a rise in affluent and premium class travelers, varied origin markets

(North America, Europe, and Latin America) and new travel purposes.

“Premium cabin travel to the Caribbean in Q3 is up 27% versus the pre-pandemic. To Curaçao and Bonaire, we can see a triple-digit increase versus 2019 levels: +120% and +110%...this is huge and especially good news not only for the airlines and hotels but for the goods and services sector,” said Ponti.

“This is an exact result of our Tourism Recovery Plan and our strategy to target and reach the affluent traveler seeking an eco-conscious vacation experience. Tourism plays an important role in our economic recovery and these data results and findings are our guiding force as we plan,” says Miles Mercera, CEO of the Tourism Corporation of Bonaire.

Affluent travelers are flying from both North America and more recently, South America, he adds. In Q4 the Caribbean is extremely popular with Colombians, whose arrival numbers are up 54% versus the same time in 2019.

Curaçao alone has seen a +304% change from visitors from Argentina. Curaçao is also a growing honeymoon destination – ForwardKeys’ Air Ticketing Data reveals the number of two passengers flying is up by 42% in Q4 this year versus 2019 levels.

Some Caribbean destinations are also attracting the non-leisure market. Throughout the region, business travel is returning and in growth mode. Saint Lucia, for example, is up by 22% in business travelers in Q4 this year versus 2019 levels, an achievement as the destination has tried hard to interest more business events.

## BROWN-FORMAN COMPLETES PURCHASE OF GIN MARE BRANDS

Brown-Forman has completed the purchase of the Gin Mare brands from Vantguard and MG Destilerías, as of Nov. 3. The company announced its agreement to purchase in September 2022, for a price that was not disclosed.

“We are excited to welcome Gin Mare and Gin Mare Capri to Brown-Forman’s super-premium portfolio,” said Lawson Whiting, President and CEO, Brown-Forman. “As a unique gin with a distinctive taste profile, Gin Mare is an exciting addition to our company and we believe it will contribute positively to our growth and success.”

Gin Mare, the world’s No. 1 ultra-premium gin, is a Spanish gin with a Mediterranean-inspired recipe of botanicals, including Arbequina olives, thyme, rosemary, and basil. Gin Mare Capri, introduced last year, is made with Italian bergamot and lemons, along with Gin Mare’s four principal botanicals.

Gin Mare will continue to be produced at MG Destilerías in Vilanova i la Geltrú, a fishing village between the Costa Brava and the Costa Dorada.

## DIAGEO BUYS TEXAS CRAFT DISTILLER BALCONES

Diageo has acquired Balcones Distilling, a Texas craft distiller and one of the leading producers of American Single Malt Whisky in the United States.

Founded in Waco, Texas in 2008, Balcones has a diverse portfolio of award-winning super premium and above whiskies, including Texas “1” American Single Malt, Lineage American Single Malt and Baby Blue Corn Whisky. Balcones embraces Texas’ intense heat as well as its temperature fluctuations to create whiskies with differentiated flavors, and often uses Texas-grown malted barley and roasted blue corn, to produce a range of whiskies.

The super premium and above whisk(e)y segment has seen consistent volume growth in the U.S. in recent years, with a compound annual growth rate (CAGR) of 13.3% from 2016 to 2021. Within that, American Single Malt Whisky has been a driver of momentum, with 18.2% CAGR over the same period.

The acquisition has been funded through existing cash resources.

### In Q4, the Caribbean is clearly shifting to “Growth Mode”

International worldwide arrivals in Q3 and Q4 2022, as of 14 September; vs 2019 levels



\*including Caribbean

Source: ForwardKeys Air Ticket Data.

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## The Macallan launches The Harmony Collection Smooth Arabica

The Macallan has unveiled the second global travel retail edition whisky in The Harmony Collection, a limited annual release series of single malts.

The collection explores The Macallan's future packaging journey, and each release features distinctive packaging that incorporates organic by-products.

The new expression - The Macallan Harmony Collection Smooth Arabica - is inspired by the Ethiopian Arabica coffee bean. Its hybrid packaging was created using repurposed and recycled materials including discarded coffee bean husks.

Jeremy Speirs, Regional Managing Director, Edrington Global Travel Retail, commented: "The response from global shoppers to the first travel retail exclusive launch in the Harmony Collection was extremely positive, so we're excited to continue this journey with the launch of Smooth Arabica. The GTR limited edition, annual-release format is one which has strong appeal in travel retail, particularly when combined with the rich storytelling behind Smooth Arabica, drawing parallels with the popularity, heritage and craftsmanship of coffee and whisky making, layered with the recycling of coffee bean husk for our packaging."

The Macallan Whisky Maker Steven Bremner has created the intensely flavored whisky to pair with coffee. He immersed himself in the art of coffee by hosting a masterclass with world renowned coffee experts at The Macallan Estate, and explored the journey from field to cup, uncovering the unique process and distinct flavor profiles at each stage.

Bremner worked with different coffee experts to help create Smooth Arabica: Ethiopian coffee grower Kenean Asefa Dukamo, whose family works with the Arabica variety showcased by the whiskies; Scottish coffee roaster Lisa Lawson, a pioneer of speciality coffee in Scotland acclaimed



for her roasting techniques; and award-winning American barista Andrea Allen, renowned for creating incredible coffee experiences.

UK-based coffee artist Dhan Tamang crafted a range of coffee art, sharing his knowledge of the art of the perfect coffee serve and sensory perceptions, while leading coffee historian Professor Jonathan Morris provided an insight into the roots of coffee and how it has become the global phenomenon it is today.

Drawing inspiration from the Arabica coffee bean from Ethiopia, renowned as the birthplace of coffee, Bremner selected a combination of American and European oak casks to achieve the distinctive notes offered by the single malt.

"To create the coffee-inspired second edition of The Harmony Collection, I sought out intense notes in The Macallan's traditional sherry seasoned European oak casks that would offer the rich and satisfying elements of coffee, with the influence of sherry seasoned American oak casks adding sweeter and softer vanilla notes for a balanced and rounded experience," said Bremner.

Exclusive to travel retail, Smooth Arabica has been paired with two different variations of Ethiopian coffee, which accentuate the unique tasting notes within the whisky when enjoyed side by side, creating a new sensorial experience of The Macallan, he explained.

### Unique packaging

The presentation box incorporates repurposed coffee bean husks, a by-product in the coffee-making process. Paper expert Michele

Posocco from Italian paper mill Favini worked with The Macallan to create the innovative packaging. The green color on the pack represents the unroasted coffee bean.

The first edition in The Harmony Collection -- Rich Cacao -- launched in domestic markets last year, followed by Fine Cacao for global travel retail earlier this year. Both incorporated discarded husks from cacao pods in their packaging and offered chocolate flavor profiles.

As part of the second edition in the series, The Macallan has also released The Harmony Collection Inspired by Intense Arabica, the domestic counterpart to Smooth Arabica.

The Macallan Harmony Collection Smooth Arabica has an RRSP of US\$185 / £140 / €165 and will be available exclusively in The Macallan Boutique in Hainan, pop-ups in Sanya Haitang Bay and Meilan Airport from November 1, 2022, before being introduced more widely to the Macallan Airport Boutiques, key airports around the world from mid-November 2022.



Jeremy Speirs, Regional Managing Director, Edrington Global Travel Retail, at the new Harmony Collection launch in Cannes last month.

## EssilorLuxottica heralds new era of digital & sustainable in Cannes

EssilorLuxottica is approaching the travel retail channel with fresh strategy and renewed sunglasses category commitment, following a powerful showcase at the TFWA World Exhibition & Conference in Cannes earlier last month. With an emphasis on ground-breaking brand innovations and renewed sustainability efforts, the interactive booth focused on a selection of the company's wide portfolio of global brands, including Ray-Ban Stories, Oakley, Prada, Persol and Costa.

EssilorLuxottica's booth delivered a number of immersive virtual reality (VR) experiences that took guests on a digital journey. The company says that this underlined its commitment to continuous research and innovation, product and design excellence, craftsmanship and sustainability approach.

From the Smart Shopper application, which enables consumers to virtually try on sunglasses, to Leonardo, a digital training platform for customers and in-store staff, EssilorLuxottica is continu-

ously developing retail designs and digital applications to elevate the in-store experience for consumers.

The digital highlight of the booth was a section dedicated to Ray-Ban Stories, the new smart glasses collaboration between EssilorLuxottica and Meta which enables consumers to capture photos and videos and listen to audio, all through their sunglasses. EssilorLuxottica debuted Ray-Ban Stories in travel retail in July this year with Dufry, with a dedicated activation at Heathrow Airport.

EssilorLuxottica says that its sustainability efforts are based on five pillars: *Eyes On Carbon*, focused on decreasing the company's carbon footprint; *Eyes On World Sight*, underlying the commitment to eliminating poor vision by 2050; *Eyes On Circularity*, highlighting the company's efforts to achieve circularity through the full product value chain reduction of EssilorLuxottica's impact on the planet; *Eyes on Inclusion*, centered on its safe and inclusive working

environment diversity and inclusion efforts; and *Eyes on Ethics*, focused on ethical business standards to create shared value with our stakeholders.

Alessio Crivelli, Global Travel Retail Director at EssilorLuxottica, said: "Innovation is at the heart of EssilorLuxottica's growth story. From product and design innovation to reimagining the consumer experience to establishing new business models, our teams constantly push the



boundaries of what's possible and question how we can better serve both our professional customers and our consumers. We are excited to bring these innovations to the travel retail channel to stimulate renewed growth for the sunglasses category."

## Guylian unveils new duty free range and Master's Selection in Cannes

Belgian chocolate brand Guylian exhibited a new duty free range and launched an updated Master's Selection in Cannes.

Both will be available exclusively in the travel retail channel and duty free shops from mid-October 2022.

### Duty free range: rebranded, tastier, more sustainable

Guylian's new look duty free range, in line with recently launched new packaging, is dressed in blue-green, which the company says refers to the North Sea, where the founders got their inspiration for chocolate seashells. The new package also features the Brussels skyline in the background and a "traveler's exclusive" stamp. As of September 2022 all Guylian packaging is 100% recyclable.

The recipe has also been improved. The chocolate now contains whole and traditionally roasted hazelnuts and focuses on an intense taste experience, and most importantly, only uses 100% Fairtrade cacao.

The duty free range includes Guylian's classic seashells in 250 grams, 500 grams and a multipack 3+1 of 250 grams each, the Temptations Mix in fully recyclable cylindrical or paper packaging, a multi pack of pralines containing sea shells and sea horses shapes, Multi Pack Tablets in four flavors and Guylian's classic Assortments.



### Master's Selection

The Guylian travel retail exclusive Master's Selection was also given a new premium look to match its position as a gourmet souvenir and gift.

The sustainable new look is 100% plastic-free and available as a 117-gram box with 16 chocolates or a 185-gram version with 25. Containing "unexpected and exotic recipes," as well as more classic flavors, the pralines are meticulously crafted with carefully selected ingredients of the highest quality, Fairtrade cocoa and do not

contain palm oil or soy, in line with Guylian's sustainability policy.

Both the duty free range and Master's Selection are in line with Guylian's recent and determined commitment to 100% Fairtrade. The company has given \$500,000 worth of Fairtrade bonuses to West African cacao farmers and their cooperatives in the Guylian supply chain. The cooperative will then decide how to invest the bonuses.

Looking for ways to further reduce the use of paper and plastic, the Guylian production site in Sint-Niklaas, Belgium, has been fully climate neutral, with CO2 emissions reduced to the lowest possible level and all other emissions are compensated. In addition, as of 2018, palm oil and soy are no longer used in the production process in order to act against deforestation.



## Mars Wrigley ITR announces shift to ‘moment led’ strategy to unlock category growth

Mars Wrigley International Travel Retail (MWITR) outlined its updated category vision and strategy at TFWA World Exhibition, as it shared news about its leading brand M&M’S and its progress towards reaching its ambition for a 100% traceable and responsible cocoa supply chain.

Describing its growth plans for 2023 and beyond as “ambitious, engaging, and sustainable,” Marcus Hudson, Sales Director MWITR, said that the role of the confectionery category within travel retail has never been more important due to the margin role it is playing in accelerating growth.

Mars Wrigley reports that 8% of the total revenue within travel retail comes from confectionery & fine foods, and that confectionery represents 75% of this subcategory.

Citing a number of sources, MWITR sees the confectionery category recovering faster than expected, even much faster than the recovery of PAX numbers. In domestic markets worldwide the category is growing 7% this year and within travel retail the average spend per passenger is up 28% vs 2019.

### ‘Moments’ are the key growth drivers

“We know that if we want to grow together, we need to grow the category first and therefore we want to do things differently moving forward. By shifting to a moment led approach and by driving category growth together, we create a win-win for both retailers and suppliers. It is our ambition to be the no.1 contributor to driving this growth by creating better moments for travelers around the world,” said Hudson.

### Unlocking category growth

MWITR’s research shows that the consumption of treats and snacks happens at specific moments. Before thinking about specific brands, shoppers think first about these moments when at the

shelf, making them the key to unlocking conversion and further growing the category.

MWITR’s strategy builds on its category vision and consists of three pillars: a portfolio relevant for all moments, elevating traveler moments with unique fun, and growing in a sustainable way.

### Portfolio relevant for all moments

Within travel retail, the most dominant moments are: **Enjoying travel time together** and **Give a gift**. Less important, but not irrelevant, moments are **Refresh & energize on the go** and **Unwind & indulge**.

In Cannes, MWITR presented a product portfolio with proven concepts to attract travelers to the category and further grow the core. This includes pouches of best-selling brands like M&M’S, Maltesers, Mars and Bounty to **Enjoy travel time together**.

For the **Give a gift** moment, MWITR has created Maltesers Truffles, a fun but premium gift designed to attract younger shoppers to the category who are looking for the ideal gift. The new Maltesers flavor was the no.1 NPD at launch in the UK within the category, reports MW.

### Elevating traveler moments with unique fun

Leveraging hero brands such as M&M’S, Twix, and Maltesers, MWITR brings immersive fun to the traveler’s journey, engaging shoppers all over the world. Leading brand M&M’S is evolving and is on a mission to “create a world where everyone feels they belong. Unique fun has and will be the heart of the brand and in 2023, the company will come with a new activation approach to create even better experiences for the traveler,” continued Hudson.

### Grow in a sustainable way

Mars Wrigley also announced that it has reached a key milestone in its commitment to sourcing its

cocoa responsibly by declaring that that from 2023, 100% of the cocoa purchased for its direct factory operations in Europe will be verified as responsibly sourced cocoa. This means the company will purchase a volume of responsibly-sourced cocoa equivalent to the volumes used in its European production. The result is that the cocoa for Snickers, M&Ms, Mars, Dove/ Galaxy, Maltesers and Milky Way will be 100% responsibly sourced cocoa from 2023.



“We are committed to creating a sustainable cocoa supply chain where human rights are respected, the environment is protected, and everyone has the opportunity to thrive. I am extremely proud we can share this important milestone today, which is also extremely relevant for travel retail as almost 90% of our portfolio is produced in our European factories,” said Hudson.

This transition to 100% responsibly sourced cocoa is a key part of Mars Wrigley’s *Cocoa for Generations Strategy*, which was established in 2018 to deliver real, lasting positive change across the supply chain for future generations. It focuses on the critical issues that need to be addressed for cocoa farming families to thrive, taking action to help protect children, preserve forests, and improve farmer income. Mars Wrigley’s goal is for 100% of the cocoa used globally to be sourced under their Responsible Cocoa program by 2025.

## Battle to dominate smokeless tobacco market heats up with new JTI-Altria deal

JTI has entered into a joint venture with Altria Group (Altria), through its subsidiary PM USA, to market and commercialize heated tobacco sticks products in the U.S. with Ploom branded devices and Marlboro branded consumables.

The two Groups also signed a long-term, non-binding global memorandum of understanding (MOU) to explore commercial opportunities for a wide range of potentially reduced-risk products (RRP).

Last month, Altria announced that it was mutually ending its iQOS partnership with Philip Morris International for the commercialization of heat-not-burn products in the U.S. Subsequently, Philip Morris was pursuing the development on its own or team up with Swedish Match, whose non-combustibles unit in the U.S. is booming, says the *Wall Street Journal*.

In the new deal, JTI will have a 25% economic interest in Horizon to reflect its HTS product contribution. PM USA will have a 75% economic interest, reflecting the company’s strong distribution network and infrastructure, as well as its initial capital contribution of \$150 million to Horizon.

JTI and PM USA will both maintain independent ownership of their respective intellectual property; and combine their scientific and regulatory expertise to jointly prepare U.S. Food and Drug Administration filings. The parties currently expect to submit the PMTA for these products in the first half of 2025.