Changi Airport Group concession sales hit S$2.6 billion in year to March 2020

SINGAPORE. Changi Airport Group (CAG) has reported a -9.2% decrease in concession sales across its 2019/20 financial year ending 31 March, to S$2.6 billion (US$1.91 billion).

The new financial results released by CAG showed that after the first ten months of the period, sales growth from concessions had stood at +1.5%. However, a severe revenue downturn came during February and March (-58% combined), as COVID-19 took its toll. Passenger traffic plummeted by -33% and -71% across the two months respectively due to travel restrictions and border closures.

The headline numbers from the Changi Airport Group FY 2019/20 results (click to enlarge)

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<th>Overall results</th>
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<td>Total revenue for CAG in FY2019/20 rose +3% to S$3.1 billion (US$2.28 billion) and within this, concession and rental revenue (as opposed to gross sales noted above) reached S$1.5 billion (US$1.1 billion).</td>
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<td>However, the group’s total expenses increased by +6%, which it said was due largely to higher depreciation and operating expenses with the opening of Jewel and the completion of the Terminal 1 expansion project.</td>
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<td>The company ended FY2019/20 with marginally lower net operating revenue of S$2.6 billion (US$1.91 billion), on the back of 62.9 million passenger movements for the year.</td>
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<td>CAG also reported net profit attributable to shareholders of S$435 million (US$319.7 million), representing a decrease of -36% from FY2018/19.</td>
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Singapore Changi Airport has been hit by a steep decline in air passenger traffic in the face of COVID-19

Meanwhile, CAG revealed that Changi Airport’s online duty free portal iShopChangi achieved growth of +58% in sales between April 2019 and January 2020. During this period, CAG noted that iShopChangi onboarded more than 10,000 new products on the platform from brands including Aveda, Banyan Tree Essentials and Too Faced.

Across the latest financial year, CAG said 29 new brands were launched at Changi Airport including premium coffee retailer Bacha Coffee, jewellery brand Chow Tai Fook and Jamie Oliver’s Jamie’s Deli in the transit areas. Wine retailer, 8 by Bottles & Bottles, the first Don Don Donki airport store outside Japan and the second outlet of Japan Gourmet Hall Sora, also opened in the airport’s public areas.

CAG also reported that there was a total of 19 retail activations from its Changi 1st programme in the period. Highlights included a rose garden at Terminal 1 by Dior, promoting its range of fragrances, and a limited-edition collection of Johnnie Walker whiskies inspired by the Game of Thrones TV series.

During financial the year, Changi Airport’s loyalty programme Changi Rewards grew its membership base by +50% compared to the previous year.
Growing revenue stream: iShopChangi sales increased by +58% between April 2019 and January 2020

Support for commercial partners

Responding to the steep decline in passenger traffic and weak air travel demand in the near term due to COVID-19, the group has taken measures this year to support its partners, cut operating expenses and reduce capital expenditure.

CAG said it has worked closely with the Singapore Government and the Civil Aviation Authority of Singapore on two assistance packages for the aviation sector which provided cost relief to affected companies and protected jobs, while safeguarding Singapore’s air connectivity.

Under the Stabilisation and Support Package, which CAG jointly funded, and the Enhanced Aviation Support Package, passenger and freighter airlines, ground handlers, cargo agents as well as retail and F&B tenants operating at Changi Airport received cost assistance including rebates on landing and parking charges, and rents.
The coronavirus-hit end to the financial year saw passenger movements drop below the previous year’s figures (click to enlarge)

From 1 May 2020, Terminal 2 operations at Changi were suspended for 18 months, while Terminal 4 has been placed on standby since 16 May 2020 until air travel demand picks up and a sufficient number of flights return to the terminal.

In addition, the Ministry of Transport has announced that the construction of Terminal 5 will be paused for at least two years. CAG said T5 remains a critical long term infrastructure investment for the future of Singapore’s economy, and that it is committed to seeing through the completion of the development in the years to come.

Preparing for a post-COVID-19 environment

A statement issued by CAG looked ahead to the challenges of preparing for the post-COVID-19 environment. It said: “The impact of COVID-19 on the aviation industry has been without precedent. The operating results of the Group are expected to be materially and adversely impacted for the year ending 31 March 2021.”
Temperature screening at Terminal 3 Changi is among the measures being undertaken to combat COVID-19 concerns.

“However, CAG will continue to invest prudently to ensure Changi Airport’s long-term competitiveness while maintaining high standards of safety and security. Changi Airport has begun transforming the passenger experience with new contactless and cleaning innovations for a safer, yet seamless, airport journey.

“How COVID-19 will affect the longer-term operational and financial performance of the Group remains uncertain at this point. The recovery of the aviation industry is dependent on future developments such as the opening up of international borders, requirements and regulations for air travel, as well as medical breakthroughs.

“The Group will continue to work closely with the relevant authorities and its airport partners to pursue recovery in the air travel sector, while enabling a safe and comfortable travel experience for all passengers.”