

Changing hands

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Korean Air has signed a business transfer agreement with Hahn & Company for the sale of its inflight catering and inflight sales business units

A longtime airline catering operation will be mostly in the hands of a private equity investment firm, as the COVID-19 virus outbreak forces airlines to shed businesses units.

[Korean Air](#) at the end of August signed a business transfer agreement with [Hahn & Company](#) for the sale of its inflight catering and lucrative inflight sales business units. The deal was hammered out August 25 at a Korean Air Board meeting in Jung-gu, Seoul.

Hahn & Company will pay 990 billion won (US\$864.5 million) for the catering business, with operations transferred to a new corporation to be established by Hahn & Company. In August, the airline said the full deal will take two to three months to complete, and details were still being finalized in October.

Korean Air plans to acquire a 20 percent stake of the new corporation in order to keep its supply of inflight meals and duty-free goods. Korean Air also plans to sign an inflight meal supply contract and an inflight duty-free sales contract with the new corporation before the end of the deal.

The first move in the deal was signing a Memorandum of Understanding with Hahn & Company on July 7, with discussions on follow-up steps later.

“Korean Air and Hahn & Company plan to work together closely to ensure stable business operation of the new corporation while making efforts to successfully complete the deal based on the business transfer agreement,” said a release from Korean Air.

Korean Air is making various self-help efforts to protect the company's survival in preparation for the prolonged effects COVID-19. It has recently secured more than 1 trillion won (US\$872.3 million) through paid-in capital increase, and all of its executives and employees are also contributing to the company's self-rescue efforts by returning wages and joining an unpaid leave. Korean Air is currently selling its assets, including a site in Songhyeon-dong, Jongno-gu, Seoul, and a stake in Wangsan Leisure Development Co., an operator of [Wangsan Marina](#).

The carrier's catering business provides an average of 71,000 meals a day out of its unit at Incheon Airport. In addition to its airline catering unit, Korean Air Catering owns its own farm located on Jeju Island in the southern part of the country. It raises thousands of chickens, a herd of Angus cattle and has three high-tech hydroponic greenhouses producing red pepper, cherry tomatoes and blueberries.

But the other lucrative business in the sale is Korean Air's duty free sales operation. In 2019, [The Moodie Davitt Report](#), duty free industry watcher, reported that the airline's duty free sales was expected to earn between US\$134 million to US\$135 million, and would continue its legacy as the world's most successful inflight retailer. The airline's well-known Sky Shop was part of the design of Korean Air's first A380.