

Media release | 20 August 2020

FY20 Annual Results: Rapid response mitigates historic impact of COVID-19

Auckland Airport today announced its financial results for the 12 months ended 30 June 2020.

Auckland Airport Chair Patrick Strange said: “The last six months have been the most challenging of Auckland Airport’s 54-year history. The global pandemic and the extremely difficult aviation and tourism operating conditions we have seen over the past six months are far from over.

“But we have worked quickly to respond with our sights set firmly on our future. The long-term fundamentals of our business remain strong and we have taken steps to ensure we remain resilient and well positioned for a recovery as demand for international travel returns.”

Mr Strange said the year's results were skewed by a huge drop in passenger numbers after a solid first seven months of the year.

Key performance data for the full year includes:

- Total number of passengers decreased to 15.5 million, down 26.5% on the previous year. International passenger numbers (including transits) were 8.5 million while domestic passenger numbers were 7 million
- Operating EBITDAFI was down by 53.1% to \$260.4 million
- Reported profit after tax was down 63% to \$193.9 million
- Underlying profit after tax was down 31.4% to \$188.5 million
- Earnings per share was down 64.5% to 15.2 cents per share and underlying earnings per share was also down 34.7% to 14.7 cents per share

- Revenue was down 23.7% to \$567 million
- No final dividend will be paid

Chief Executive Adrian Littlewood said the 2020 financial year had been dramatically split in two.

“The first half of the year saw Auckland Airport embark upon a series of ambitious infrastructure projects which were transforming our precinct into an airport of the future. The second half of the financial year brought a global pandemic and international tourism in New Zealand to a virtual halt.

“Throughout this time, we have remained focused on the health and safety of our people, passengers and other front line staff, working with border agencies and the Ministry of Health to protect New Zealand against the spread of COVID-19.

“We have also played a critical role in keeping New Zealand connected to the world, continuing to maintain safe and secure airfield operations as the pandemic took hold. Our team is proud to have supported 115 repatriation flights and we have worked alongside our airline customers to keep trade links alive, ensuring the ongoing flow of critical cargo supplies and the export of high-value Kiwi goods.”

Mr Littlewood said that due to the significant fall in passenger numbers and the scaling back of the organisation’s infrastructure development programme, Auckland Airport had made the difficult decision to reduce the size of its workforce. As at 30 June 2020 these changes had resulted in a 25% reduction in the number of staff and contractors employed by Auckland Airport.

“It goes without saying that it’s been an extraordinarily difficult time for our team. Unfortunately, we’re not alone and recognise that many of the organisations that operate alongside us at Auckland Airport have suffered major job losses, including our retail and airline partners and companies that supply services at the airport.”

Despite the challenging operating conditions, Mr Littlewood said Auckland Airport remained focused on the future, doing all it could to drive the recovery of the business and assist New Zealand to manage through the pandemic. In April,

Auckland Airport carried out a successful \$1.2 billion equity raise to reinforce the company's balance sheet during this period of uncertainty, and a new strategic plan - Respond, Recover, Accelerate - has been developed.

"In May, with flight movements at an all-time low and with the support of our airline partners and other stakeholders, we brought forward the planned \$26 million runway pavement replacement works, temporarily shortening the runway by 1.1km during construction to renew 280 sections of pavement in the eastern touchdown zone. This work was successfully completed on budget in August 2020."

In contrast to its travel-linked businesses, Auckland Airport's investment property business performed strongly throughout the 2020 financial year. This resulted in the investment property annual rent roll increasing 4% to \$104 million and the portfolio value rising 17% to \$2.04 billion during the period.

"Despite the uncertainty created by the outbreak of COVID-19 we have maintained the momentum of our property business. We continue to field enquiries from high-quality tenants and close out significant contracts, cementing our position as a leader in industrial and commercial sectors.

"As we look to the 2021 financial year, we continue to face significant uncertainty on the timing of Auckland Airport's recovery. Our financial performance is strongly linked to international arrivals and departures, and while there is no doubt international travel will recover, there is not yet any consensus how and when that will unfold.

"With so much uncertainty, we think it prudent at this time to adopt more conservative planning assumptions than either the International Air Travel Association (IATA) or Standard & Poor's, which are forecasting a full recovery of international travel in approximately three years. At this stage, we think a full recovery could take longer. However, we are hopeful that domestic travel will return to normal comfortably within two years. With Australia being our largest international market, we are also hopeful that short-haul Tasman and Pacific Island travel will resume sometime in 2021, with a full recovery of both these markets occurring before long-haul international travel returns to normal.

“Because of the high uncertainty around the recovery of international passengers and its strong impact on our commercial performance, combined with the return of nationwide restrictions on people movement due to COVID-19 the company has suspended underlying earnings guidance for the 2021 financial year. We will reassess this decision at the October annual meeting and again at our interim results in February 2021.”

Mr Littlewood said Auckland Airport’s capital investment in the 2021 financial year will be focused on advancing existing roading infrastructure projects; delivering core airfield renewals such as slab replacement and apron works; upgrades to the baggage system; and completing pre-leased property developments. Capital expenditure for the 2021 financial year is expected to be between \$250 million and \$300 million.

“Auckland Airport will continue to play a critical role in connecting New Zealand to the world, and this is only possible thanks to the support of our investors and the ongoing commitment of our people, who have done us and New Zealand proud throughout this crisis,” said Mr Littlewood.

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