Auckland Airport

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Auckland International Airport FY19 Interim Results: Positive start to year as airport progresses anchor infrastructure projects

Auckland Airport today announced its financial results for the 6 months ended 31 December 2018.

Patrick Strange, Auckland Airport's Chair, says, "As one of New Zealand's busiest hubs for tourism, trade and travel – it has been a positive six-month period for Auckland Airport, during which we reached some significant milestones in our 30-year programme to build the airport of the future."

"We are starting to see the early benefits of our multi-billion, inter-generational aeronautical infrastructure programme delivering significant new capacity, resilience and choice for our customers, airline and operational partners."

"During the six-month period we completed important terminal and transport-specific projects as well as making significant progress on the design, planning and procurement phases of our airport of the future infrastructure programme."

Total passenger numbers at Auckland Airport grew by 3.7% to 10.6 million. International travellers (excluding transit) reached 5.3 million (up 4.4% on the first half of FY18), predominantly driven by additional capacity on Asian, Pacific Island and North American routes. International transit travellers were down 5.2% to 0.5 million.

Domestic travellers increased by 4.0% to 4.8 million, primarily driven by additional capacity on main trunk routes.

Auckland Airport recorded revenue growth of 11.5% against the prior corresponding period to $370.6 million. Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) increased by 10.8% to $277.1 million. Reported profit after tax was $147.2 million with an underlying net profit increase of 2.9% to $136.9 million.

Queenstown Airport also saw strong passenger growth in the period, with total passenger numbers growing by 9.3% to 1.2 million. The underlying profit share from Queenstown Airport decreased 4.5% to $2.1 million due to one-off expenses relating to its long-term master planning as well as increased depreciation and amortisation costs. While occupancy at the Novotel Hotel remained strong during the period, higher operating costs resulted in a decrease in Auckland Airport's share of underlying profit by 4.5% to $2.1 million. Our total share of the underlying profit from associates was significantly down on the prior period, which is largely attributable to the sale of our interest in North Queensland Airports in 2018.

Airport of the future programme

Mr Strange says, "As market conditions have changed over the last two years and as we have transitioned into more detailed design and planning stages for a number of major projects, we now have greater clarity about the complexity of the development programme in our live operating environment and the challenges associated with New Zealand's construction market."

"We have made considerable progress over the past six months, working closely with our airline partners to understand their requirements for the new domestic jet facility and international arrivals projects in particular. These deeper design insights will deliver improved project outcomes in the future including planning certainty, improved cost control and a realistic and achievable build programme."

"This process has led to some scope and sequencing changes for individual projects within the airport of the future programme, which we remain committed to."

"Changes to the timing of some infrastructure projects and project sequencing reviews has supported other aeronautical projects coming forward. Several anchor projects are currently in procurement stages – including work on our northern stands and taxiways and northern road network. These are critical enabling or capacity projects to support the wider airport development programme. We have also identified a new location for a new air cargo terminal facility, allowing us to initiate a staged relocation of current cargo facilities away from the terminal precinct," he says.

During the period Auckland Airport continued to improve its benchmark customer satisfaction 'Airport Service Quality' (ASQ) scores – in both the international and domestic terminals.

"Going into this next phase of construction we are particularly aware that our travellers and airlines rely on us to provide safe, timely and efficient services every day, and we take that responsibility seriously. This will remain at the forefront of our planning and operations as our investment journey continues," Mr Strange added.

Major international terminal infrastructure completed

Mr Strange says, "In the six-month period we completed the second of two major terminal expansion projects, delivering a combined 55,000 m^2 of newly built or refurbished international terminal infrastructure.

“Our airport of the future programme also generated significant new training and employment opportunities during the period, with Ara, Auckland Airport’s jobs and skills hub, having assisted a further 159 local people during the period into new roles directly aligned to meeting the future growth and development needs of the airport and wider South Auckland community,” he says.

Aviation markets

Tourism and trade markets performed in line with expectations despite a changing aviation market: North America and New Zealand outbound tourism remained strong, the Chinese market continued to moderate – while being offset by emerging Asian markets outside China – notably a quadrupling in passenger numbers on services from Indonesia and the Philippines.

New capacity was added to the network with Singapore Airlines adding a new daily flight to Singapore, Air New Zealand launching new direct services to Chicago and Taipei, and United Airlines returning to year-round services.

Outlook

Our profit outlook for the 2019 financial year remains unchanged. We expect underlying net profit after tax (excluding any fair value changes and other one-off items) to be between $265 million and $275 million. This would deliver growth in the underlying earnings per share of up to 4.5% in 2019, which is slower growth than in recent years reflecting:

- the second year of lower international passenger charges to airlines of the new five-year aeronautical pricing period; and
- increasing interest and depreciation expenses associated with the recent step up in our infrastructure build.

The additional time invested in the formative stages of our key anchor projects has led to lower capital expenditure than planned for the first half of the 2019 financial year. We now expect total capital expenditure for the 2019 financial year to be between $280 million and $330 million, down from the previously indicated range of $450 million to $550 million.

We are still forecasting that the total value of commissioned aeronautical assets for the 2018-2022 financial years will be broadly consistent with the five-year forecast envelope released to the market in mid-2017.

This outlook remains subject to factors such as material adverse events, significant one-off expenses, non-cash fair value changes to property, and deterioration as a result of global market conditions or other unforeseeable circumstances.

In regard to Auckland Airport's regulatory and aeronautical pricing update, please refer to our press release *'Auckland Airport to reduce prices to airlines'* issued today.

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