

Market Update | 1 July 2021

Auckland Airport provides trading update

- **Ongoing uncertainty around international travel expected to impact passenger numbers and related revenue for remainder of the calendar year**
- **Operating expenses growing to support full international recovery**
- **Pre-payment of USPP debt brings reduction in forecast interest expense**
- **Earnings guidance for FY21 remains unchanged**
- **Timely roll-out of the Government's vaccine programme remains critical to reconnecting NZ with rest of world.**

Auckland Airport is maintaining its prudent approach to financial management while it prepares for international passenger recovery after New Zealand's vaccination programme is rolled out across the balance of 2021.

Chief executive Adrian Littlewood said recent community outbreaks in Australia and the risk posed to a largely unvaccinated population by COVID-19 strains are denting passenger confidence in travel beyond COVID-free destinations.

"Domestic and Cook Islands passenger demand is strong but international travel numbers remain at historically low levels," he said.

"Emerging overseas evidence points strongly to widespread vaccination being the path to protecting communities against the virus. Where this is being achieved, it is leading to a strong revival of the aviation sector. In line with this, the international passenger recovery in New Zealand is unlikely to materially change until the vaccination programme rolls out to a significant number of New Zealanders across the next few months.

"As a result, international passenger numbers and those business lines linked to passenger volumes, including retail and transport, may remain very subdued for the remainder of the calendar year. However, we do expect steady recovery from early in calendar year 2022."

Mr Littlewood said Auckland Airport continues to provide support to international terminal retailers, so they are also well placed to manage through the current uncertainty and recover strongly as international passengers return.

“We recognise the importance of these retailers in adding to the experience of travel and we have provided them with ongoing rent relief whilst the uncertainty in the international recovery remains.

“Based on a slower than previously anticipated recovery in passenger numbers, retail income is expected to be impacted with total retail income for the 2022 financial year currently expected to be in the range of \$25 million to \$35 million.”

The establishment of safe travel arrangements with Australia has already triggered a scaling up of operations at the international terminal, plus some outsourced operations, including airside and landside bussing, car parking, valet and cleaning. These operations, plus the initiation of accelerated repairs and maintenance while many of our aeronautical facilities are running below normal occupancy levels, are anticipated to result in operating costs being in the range of \$160 million to \$175 million in the 2022 financial year.

Following the \$65 million scheduled repayment in February this year, Auckland Airport has now prepaid the remaining \$425 million USPP borrowings.

“When combined with the cancellation of cross-currency hedges associated with the USPP borrowings as well as some future fixed interest rate hedges this is expected to reduce Auckland Airport’s 2022 financial year interest expense by around \$10 million,” Mr Littlewood said.

Mr Littlewood said earnings guidance for the 2021 financial year is unchanged from the prior guidance with a loss after tax of between \$35 million and \$55 million.

“Given the Government’s strong signals about the ramp up in the vaccination programme over the next couple of months with programme completion targeted for Christmas, we’re expecting to see that flow through to a rebound in trans-Tasman traffic and the gradual return of long haul travellers.”

ENDS

For further information contact:

Investors:

Stewart Reynolds

Head of Strategy, Planning and Performance

+64 27 511 9632

stewart.reynolds@aucklandairport.co.nz

Media:

Helen Twose

Communications Manager

+64 27 254 0790

helen.twose@aucklandairport.co.nz