

**Market Release | 20 October 2022**

## **2022 Annual Meeting: Chair and Chief Executive addresses**

**Patrick Strange, Chair**

Tēnā koutou, tēnā koutou, tēnā tatou katoa.

Good morning. It's great to be here meeting in person for the first time since the start of the pandemic, and a very warm welcome also to the people joining us on the live broadcast today. We would love to hold these meetings at the Airport, but that was a stretch too far this year. We are working on it!

With us today are my fellow directors of Auckland Airport: Julia Hoare, Liz Savage, Tania Simpson, Christine Spring, Mark Binns, Dean Hamilton and Mark Cairns. Mark, Christine and Liz are standing for election or re-election and will address the meeting a little later today.

We will also be hearing from Carrie Hurihanganui, who is attending her first Auckland Airport annual meeting today as our new Chief Executive. Chief Financial Officer Phil Neutze, other executives, and our auditors from Deloitte are also here with us today.

When we wrote to shareholders a couple of months ago in our annual report, Auckland Airport's recovery was ramping up. I'm pleased to say that since then planes and travellers have continued to return. The place is starting to buzz again.

There remains much hard work still to be done, but aviation is on the path to recovery now. It is important to acknowledge the outstanding efforts of our team and the wider aviation workforce, especially those who have worked through the challenges of the past two and a half years. It's not been easy, but they have continued to serve our

customers, support airport partners and keep New Zealand safe and connected. I know my fellow Board directors join me in offering our sincere thanks to you all.

Before I discuss financial results for the 2022 year and the outlook for the year ahead, I wanted to set the scene for you.

Today we reflect on an extraordinary year, marked by lockdowns and then the beginnings of revival with the gradual easing of border and travel restrictions. Despite the volatility the team got on with the job of running our country's largest airport and supporting New Zealand's recovery.

We built roads; converted car parks into a vaccination centre; restarted construction on a new hotel; and kicked off two new major development projects. We created new aspirations to lead the transition to net zero and continued to remind international airlines why New Zealand is such a great place to fly to. Then, at long last, we celebrated alongside travellers in the international arrivals area as the border reopened and they reunited with family and friends.

As I said, it's been an extraordinary year.

As we look ahead, we must not forget that New Zealand is in a competition with other countries to attract back airlines and visitors to New Zealand. We are a long-haul destination, and while we have much to offer visitors, the reality is that we'll have to work hard to get their attention as they have many destinations to choose from.

## **Our performance**

As you may have seen this morning, we have updated our guidance to the market for underlying profit after tax for the 2023 financial year. Carrie will provide more detail on this shortly.

Now, I will run through key performance numbers for the 2022 financial year, which reflect a year of two halves. Travel restrictions and the Auckland community lockdown impacted the first six months, followed by the gradual restart of international travel during the second half of the financial year.

- Auckland Airport's revenue was up 7% to \$300.3 million off the very low base of 2021
- Total passenger numbers decreased to 5.6 million, down 13%: This compares to 21 million passengers in 2019, the last full year before the pandemic struck
- Operating EBITDAFI was down 16% to \$144.5 million
- Reported profit after tax was down 59% to \$191.6 million
- However, this included one-off revaluations and, removing these, we recorded a net underlying loss after tax of \$11.6 million
- Earnings per share was down 59% to 13.0 cents
- Net underlying loss per share was 0.8 cents
- Reflecting these results and our agreements with our lenders, no dividend was paid for 2022.

Since early 2020 we have been guided by a three-stage plan to chart a course through the pandemic – we called these stages; respond, recover and accelerate.

We are now well into the recovery phase, increasingly apparent as our national carrier and global airlines rebuild their connections and schedules, and as families and businesses, separated by Covid-19, are able to reconnect in person once again.

In April 2022, our border re-opened to visitors from Australia, followed by visitors from visa-waiver countries. As a result, international passenger numbers including transits increased 123% to 1.3 million compared to the previous year.

While the total number of domestic passengers fell by 27% to 4.3 million year-on-year, this reduction does not reflect the way domestic travel surged back following Auckland's lockdown.

The revival of passenger numbers is clearer every day: However, the prolonged downturn had a heavy impact on our broader airport community, particularly those reliant on visitors to the international terminal.

In the 2022 financial year we extended a further \$178 million in rent reductions and abatements to retail and commercial tenants, and \$9 million in aeronautical rental and aircraft parking relief. This reflects our partnership-driven approach throughout the

crisis. Over the past two years we have provided a total of \$388 million to our partners in the airport community.

In January this year we also introduced a price freeze in our aeronautical charges during the 2023 financial year to support our airline partners. We are beginning to consult with airlines regarding Price Setting Event 4 to determine prices for the 2024-2027 financial years.

A major bright spot through Covid has been our investment property business, which continued to perform strongly throughout the 2022 financial year, with rent roll up 9% year-on-year to \$127.5 million. Overall, our investment portfolio valuation was boosted by 10% to \$2.9 billion. We continue to invest in this part of our business and have made strong progress on the planned development of Mānawa Bay, a new premium fashion outlet centre.

### **Looking to the future**

With the recovery now well underway, we are focused on the future.

The Board, jointly with Carrie and her team, are working on a strategy refresh to ensure a strong and sustainable Auckland Airport for the future and we are looking forward to sharing this with you in the new year.

Sustainability is a key pillar in our refreshed strategy. We have set an ambitious target to become net carbon zero for scope 1 and 2 emissions by 2030. This means we will need to achieve a 90% reduction in our carbon emissions against our 2019 baseline. It will not be easy, but there are technological pathways to achieve this. Our target excludes carbon emissions from aircraft flying to or from Auckland, which we do not control, but we recognise the role we must play in helping our airlines to adopt and implement new technology to lower these.

As Carrie will outline in more detail, we are currently consulting with our airline customers on a major lift in investment in airport infrastructure to transform the airport for the rest of this century and beyond.

Our almost 60-year-old domestic terminal and its associated infrastructure is at capacity and is nearing end of life, and Covid has deferred advancement of its

replacement later than we would like. We continue to progress our priority project – the development of a combined domestic and international jet terminal, consistent with the master plan agreed for the airport. Associated with this is new infrastructure for regional passengers, a new baggage system, a new transport hub, taxiways, and terminal roading.

Overall, the capital programme we are consulting on would amount to the largest infrastructure investment programme in New Zealand's key airport gateway since it was opened sixty years ago. It is challenging, and Covid did not help. We did manage to use the time to complete key airside works, and a major upgrade to our roading, but Covid not only means we have had to rebuild our teams to tackle the build, but has also left us in a challenging and stretched construction environment.

### **New leadership**

In February 2022, we welcomed Carrie as our new Chief Executive. Carrie has brought an outstanding level of energy, an absolute passion to deliver a quality experience for our customers and a deep understanding of aviation and airlines. This will serve our airport strongly as we re-position into the future.

We also welcomed Mark Cairns, former chief executive of the Port of Tauranga to the Board on 1 June. Mark brings experience and expertise that will be invaluable. As a new, board-appointed director, he is standing for election today.

### **Aviation's recovery**

We are working very hard to attract international airlines to return to Auckland, with some success, but we still have a way to go. Basically, the international aviation industry is still rebuilding, and there is a lot more passenger demand than there is operating aircraft to fly them. New Zealand is attractive - but so are other countries. To rebuild the visitor market which is so vital to this country - pre-Covid it was our biggest earner and employer - we have to step up as a nation and encourage visitors to come here. Currently, other nations - like our friends across the Tasman - are investing heavily in encouraging airlines and international routes to return to their shores. I am hopeful that our country will do more to rebuild visitation in the months ahead. The

decisions we make now will have a major bearing on the speed of our country's recovery and the future shape of our tourism industry.

### **Concluding remarks**

At the end of another challenging year, I would like thank you, our investors, for your continued support.

And to our customers, we thank you for your patience and support as we have ramped up activities alongside airlines and our aviation partners to re-open and revive Auckland Airport.

I'll now hand over to Carrie.

### **Chief Executive Carrie Hurihanganui**

Thank you Patrick,

Kia ora tātou, it's lovely to be here in person for my first Annual Meeting for Auckland International Airport since joining the team in February this year.

On a personal note, I would like to thank former chief executive Adrian Littlewood for his support during the handover and, also, the Board and wider team at Auckland Airport as well as our aviation partners for the warm welcome and support I've enjoyed since joining.

In a moment I will discuss the company's position, but first it feels only right that I briefly introduce myself as this is my first annual meeting.

I arrived at Auckland Airport more than 30 years ago on holiday from America and, was fortunate to meet my now husband, and decided to stay on and study here, eventually funding my way through my degree by working as cabin crew for Air New Zealand. That was the start of my 23+ year career in aviation, for which I developed a great passion.

Over the years I was able to work my way up through the business; and in 2018 I was proud to become Air New Zealand's chief operating officer.

To now serve as Auckland Airport's chief executive is a great privilege. It's an incredibly exciting and challenging time to join the organisation and I approach the role with a great sense of purpose and determination to grow the potential of this business for the benefit of customers, community, environment and for our country's prosperity.

Despite our full-year passenger numbers being down by 13% to 5.6 million in total versus the 2021 financial year, we are confident the numbers are heading in the right direction.

By the end of October we will have 22 airlines now operating to 38 destinations - well up from just 12 airlines and 21 destinations during the worst of the pandemic. This month we are celebrating the return of two airline powerhouses, United Airlines and American Airlines, helping to make Auckland the most connected Australasian city to North America.

Since joining Auckland Airport I have taken a strong interest in our approach to sustainability and how we can further shift the dial.

I have also been working with the team to understand the quality of the end-to-end experience we're providing to our customers. Our aspiration is to deliver experiences that are easy, seamless and intuitive. I'm excited about the restart of our infrastructure programme as the platform for the future modern travel experience we want to deliver.

As Patrick has mentioned we are currently underway with two major, multi-year capital projects and we are consulting with our major airline customers on the next stages of development for our combined domestic and international jet terminal. Together these projects will transform Auckland Airport to deliver the customer experience we collectively aspire to, and will assist us to support our sustainability goals.

As we fold these strands of customer experience, sustainability and transformation into the strategy work underway with the Board, the overarching theme is about building the best possible future for our organisation and the communities we serve.

## **Major projects**

I'd like to provide some more detail on our capital projects for transformation.

During the 2022 financial year, we continued to focus on transport improvements, core infrastructure upgrades and enabling works to support future terminal and new property developments – with over \$250 million in capital expenditure.

We invested \$80 million in progressing the combined domestic and international jet terminal, including design and enabling works for a new dedicated domestic jet pier, customer dwell and retail space and smarter baggage services.

The exact timing of the combined jet terminal project will be guided by the conclusion of airline consultation and will be a 5-year build from the point of construction commencing. It will be a once in a generation investment to create a terminal that appropriately represents its role as the gateway to New Zealand and is as seamless and efficient as the best airports in the world - with fast, easy connections between domestic and international for our customers. While the build continues, we are focused on working with our government partners to ensure continued growth in public transport options, making it easy for travellers and workers to access the airport.

In March 2022 we announced the development of Mānawa Bay. This is a \$200 million-plus, 100 store premium outlet shopping destination in the north-eastern edge of the airport precinct. Earthworks is now complete on the 150,000m<sup>2</sup> site and we are experiencing strong interest with leasing now in progress for what will be New Zealand's first ever premium purpose-built outlet centre.

In May this year, we outlined the start of another key project – a \$300 million world class Transport Hub. Much more than just a carpark building, it incorporates 400 metres of public curb-side pickup and drop off and 150 spaces for electric vehicle charging, with the team targeting a US accredited Gold Parksmart rating; which is a measure of facilities that use innovative sustainable practices.

The Transport Hub is about putting the customer at the centre of our thinking and will be a great leap forward to smooth out the experience for travellers arriving for and returning from their flights. Just as importantly, we have future-proofed the design so that it paves the way for future mass rapid transit to deliver customers into the heart of our precinct.



When these projects are taken alongside major upgrades to our 22km local roading network completed earlier this year, we are making significant progress on an airport fit for the future for our travellers, visitors and employees in the airport community.

### **People and community**

I have emphasised the focus I want to place on customers and continuing transformation of our airport to support the customer journey.

To help drive this forward we announced two changes to the leadership team in June. Scott Tasker was appointed to the role of General Manager Customer and Aero Commercial. This expands on his existing roles in aeronautical commercial and airline relationships. Scott will lead our strategy to deliver for our customers across the airport precinct.

I was also pleased to appoint Mary-Liz Tuck to the position of General Manager Strategic Infrastructure Planning and Transformation. In this role, Mary-Liz will co-ordinate our approach to sustainability, infrastructure and master planning, capital investment and aeronautical forecasting.

In November we are also looking forward to welcoming Melanie Dooney to the leadership team as General Manager Corporate Services. Mel is joining us from her role as Chief People Officer for Te Whatu Ora, Auckland District, where she led her team through the challenges of the pandemic.

The airport community was pulled in many directions over the 2022 financial year from hard lockdowns to a series of border reopenings. I want to thank our 460-strong capable and committed team for their dedication to serve today's travellers, but equally their contribution to the transformational projects we have on the go.

Amidst all the calls on peoples' attention over the past year, the team has remained focused on health, safety and wellbeing. A priority is creating a great place for our people to work – one that makes a positive contribution to their wellbeing and where employees can bring their whole selves to work.

Our health and wellbeing focus also extended to our wider community. Our team volunteered 350 hours of their time after we provided our long-term parking 'Park &

Ride' facility at no cost for use as a 'Park and Vax' facility. Dozens of our people worked alongside health workers to keep the site flowing and safely managed. This saw 155,000 vaccinations delivered between September 2021 and January 2022. Along with the redeployment of our Park & Ride buses as mobile health clinics, we're proud of our efforts to make vaccines more accessible to our community.

In reflecting on community, it is also acknowledged that the location of Auckland Airport is of historical and cultural significance to Māori.

In keeping with this we have worked alongside local iwi on the design and delivery of our projects across the precinct. This includes the Transport Hub, terminal development, and Mānawa Bay.

Creating pathways into sustainable employment requires patience and understanding. Our partnership with the NZ Youth Mentoring Network and Ara Education Charitable Trust provided an eight-week programme for 16 mentor/student pairs and provided coaching and exposure to diverse work opportunities with overwhelmingly positive feedback. In a similar vein we continued to support the Life Education Trust Counties Manukau and ASB Polyfest.

Our Auckland Airport Community Trust granted more than \$368,000 to a range of community groups in a year when calls for health, wellbeing and social support were greater than ever.

## **Sustainability**

We are developing new aspirations for sustainability at Auckland Airport.

As Patrick has mentioned, this includes targeting a 90% reduction in scope 1 and 2 emissions from a 2019 baseline, to achieve Net Zero carbon emissions by 2030.

We are currently operating significantly below our 2019 financial year baseline, however this has more to do with disrupted operations than substantive change at this point.

We have signed up to the latest Climate Leaders Coalition Statement of Ambition and we are very conscious that we will not achieve these ambitious targets by working the same way we always have.

In line with this, our terminal air conditioning system is the largest in New Zealand and we're phasing out the use of natural gas as a source of space and water heating and cooling. The first air-source heat pump to replace our natural gas boilers will be installed next year as proof of concept towards our gas-free future. Auckland Airport will also use electricity generated from a mix of on-site and off-site renewable energy sources.

We are transitioning our transport fleet to electric vehicles, or hybrids where feasible. Fire trucks, marine rescue vehicles and hovercraft, will remain diesel-powered due to the lack of alternatives currently, however we will continue to monitor opportunities in this space.

Wherever possible we are striving to help our customers, Airways and airlines to reduce their emissions. These 'scope 3' emissions are beyond our absolute control – however we can and will invest to support our stakeholders in their efforts to reduce emissions. We have also set specific targets to reduce waste to landfill and potable water use by 20%.

I am conscious that some of the examples I have provided are anecdotal. For more detail, please refer to our website for our full Climate Change Disclosure Report. We prepared this in line with the recommendations of the Taskforce on Climate-related Financial Disclosures.

## **Outlook**

As you may have seen in our market announcement this morning, Auckland Airport has revised our guidance and outlook.

Guidance of underlying profit after tax of between \$100 and \$130 million is now being provided for the 2023 financial year, an uplift on guidance we provided in August of between \$50 and \$100 million.

This is as a result of aviation's strong performance both domestically and internationally. We have experienced a stronger than expected rebound in the aviation market, particularly in North and South American, South Pacific and Trans-Tasman routes.

Looking ahead, there is more certainty about the performance of the market, over the coming months, with high aircraft load factors and continued strength in forward international seat capacity indicating a stronger than expected summer peak.

Overall we are increasingly confident that aviation is returning to normal, with the structure of the market becoming more balanced across inbound and outbound travel, and 'business', 'friends and family' and 'leisure' travel categories.

For the full 2023 financial year we are now anticipating international passenger numbers will be between 60 and 70% of pre-covid levels and domestic passenger numbers between 85 and 90%.

We have also adjusted our outlook which is now in line with International Air Travel Association's (IATA) view that the global industry will recover to pre-pandemic levels by the end of the 2024 calendar year.

Our capital expenditure guidance for the 2023 financial year remains unchanged at between \$600 and \$700 million, reflecting a number of roading, airfield, and investment property projects alongside progressing with the continued design and enabling works for the combined domestic and international jet terminal.

The capital investment plan is considered within our consultation on aeronautical prices under Price Setting Event 4 mentioned earlier, and could be subject to change as we consult with airlines.

Finally, I would like to thank all our partners from government border agencies to airlines, service providers to infrastructure and construction partners for their support, communication and adaptability during what has been a period of rapid change. We couldn't do it without you.

Thank you.

**ENDS**

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