

Market Release | 1 July 2020

Auckland Airport provides details of Other Significant Items expected to impact 2020 financial results and an update on further organisational change

Auckland Airport today provides a further update on its response to the outbreak of COVID-19 and outlines Other Significant Items that are expected to impact earnings for the financial year to 30 June 2020 and further proposed changes to the size of the organisation's workforce.

On 16 March 2020, Auckland Airport suspended underlying earnings guidance for the current financial year due to the significant uncertainty surrounding the duration and impact of COVID-19 travel restrictions on the business.

Auckland Airport responded quickly to the disruption of tourism and aviation markets through a comprehensive plan to bolster liquidity, reduce operating costs and suspend or terminate capital expenditure, including:

- deep cuts to discretionary expenditure;
- reviewed and suspended external consulting work;
- reduced the number of external contractors supporting the capital programme and wider business;
- staff changes across the business, including in the company's infrastructure development programme;
- reduced remuneration of directors and executives to 80%;
- lowered most other employees' hours/salaries to 80%;

- suspended bonuses and short-term incentives for FY20 and implemented a hiring and salary freeze;
- rationalised operations to reflect the new operating environment;
- suspended selected capital expenditure projects with a forecast completed value of more than \$2 billion;
- extended bank debt maturities until calendar 2022 and 2023;
- obtained financial covenant waivers until 31 December 2021 (inclusive) for bank and United States Private Placement borrowings; and
- raised \$1.2 billion of equity.

The net adverse impact of Other Significant Items on Auckland Airport's reported profit for FY20 is expected to be between \$50 million to \$90 million. These Other Significant Items include:

	<u>Range</u>			
<u>Gains</u>				
Investment property revaluations	150.0	130.0	Gain	Non-cash
Wage subsidy	4.3	4.3	Gain	Cash
<u>Capital Expenditure</u>				
Capex WIP write-offs and impairments	42.0	52.0	Loss	Non-cash
Capex project termination/make good costs	68.0	70.0	Loss	Cash
<u>Employee costs</u>				
Redundancies	4.0	5.0	Loss	Cash
<u>Accounts receivable impairments</u>				
Bad and Doubtful Debts	10.0	11.0	Loss	Cash
Rent abatements - retail	62.6	67.6	Loss	Cash
Impaired lease receivables - retail	16.4	16.4	Loss	Non-cash
Rent abatements - property and aero	3.5	4.5	Loss	Cash

The above estimates are subject to finalisation, external audit and Board approval of the FY20 financial statements.

Chief Executive Adrian Littlewood said protecting the health and safety of everyone working and travelling through Auckland Airport remained the organisation's key priority, as it continued to respond to the most disruptive crisis in the history of aviation.

“These are extraordinarily challenging times for all of us in the New Zealand tourism industry, with international passenger numbers now averaging 800 per day at Auckland Airport, less than 5% of what they were six months ago.

“Airlines have been deeply impacted and the number of carriers operating here has fallen from 29 to 11. Daily flight numbers have also reduced, falling by 80% to 100 per day made up of domestic, cargo and repatriation services.

“We are a resilient business, but this is a global shock to aviation the likes of which we’ve never seen, and our organisation continues to be materially impacted.”

Mr Littlewood said Auckland Airport had made the difficult decision to propose further changes to staffing levels, in line with fewer flights and people travelling, as well as the deferral of capital projects.

“These were ambitious projects we were proud to be leading and delivering for New Zealand, and it’s been very painful for the team to see progress stall so suddenly, and the wider impact this is having. It goes without saying that this is a very difficult time for our organisation,” said Mr Littlewood.

In recent months, Auckland Airport has reduced its workforce by 25%, including releasing 90 contractors who were largely connected to the capital programme. Mr Littlewood said the organisation is now proposing to further reduce staffing levels, mainly impacting the company’s infrastructure team and its operations team, while protecting the ongoing safety and security of the airfield.

Auckland Airport’s full year results for the 12 months to 30 June 2020 will be released to the market on the morning of 20 August 2020.

ENDS

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