

Media Release

Media release
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Air New Zealand – demand driving strong recovery

1H 2023 Financial summary

- Statutory earnings before taxation of \$299 million¹, compared to a loss of \$376 million for the equivalent six-month period last year
- Operating revenue of \$3.1 billion driven by strong demand particularly across the peak summer period
- Flew eight million passengers compared to three million for the same period last year
- Domestic capacity at 94% of pre-Covid levels, and International at 60% capacity
- 3,000 people recruited since January 2022, 2,000 of which were recruited in the six months to 31 December – biggest recruitment drive in the airline's history

Air New Zealand's recovery is well underway, with the airline today announcing statutory earnings before taxation of \$299 million¹ and revenue of \$3.1 billion for the six months ending 31 December 2022 – progress that will enable the airline to support New Zealand's economic recovery.

Following three years of Covid-related losses, Air New Zealand's interim result reflects sustained demand strength, particularly across the summer peak period, a return in business travel and overseas tourists, as well as cargo revenues above pre-Covid levels.

Air New Zealand Chair Dame Therese Walsh says she is incredibly proud of the Air New Zealand whānau and their determined efforts to get New Zealanders flying again, especially given the challenges of restarting an airline amid Covid.

"Today's result reflects an important milestone in our recovery and places us in a strong position to deliver on our strategy," says Dame Therese.

"When New Zealand's borders reopened much earlier than expected, our people rose to the occasion, moving swiftly to return aircraft to service, relaunch 29 routes and onboard more than 3,000 employees to support the eight million customers we flew between July and December – the busiest period we've seen in over three years.

"Despite some turbulence, we've stayed focused on getting our customers where they needed to go while keeping our eyes on the future. This result means we can continue to invest in our fleet,

¹ For the six months to 31 December 2022, earnings before other significant items and taxation was also \$299 million. Earnings before other significant items and taxation represents earnings stated in compliance with NZ IFRS (Statutory Earnings) after excluding items which due to their size or nature warrant separate disclosure to assist with understanding the underlying financial performance of the Group. Earnings before other significant items and taxation is reported within Note 4 of the 2023 condensed Group interim financial statements.

our people and our decarbonisation goals, to deliver the customer experience Air New Zealand is world-renown for.

“But we must acknowledge these results are being announced in the wake of the devastation that the Auckland floods and Cyclone Gabrielle have left behind. Both of these catastrophic events have heavily impacted several regions we fly to, and our hearts go out to all those impacted. We’re committed to supporting those regions however we can.”

Air New Zealand Chief Executive Officer Greg Foran echoed Dame Therese’s comments and praised teams across the business who worked quickly to ensure the safety of our customers and our people.

On the financial performance for the half, Mr Foran noted the result was delivered against a backdrop of significant labour, supply chain and operational pressures that have challenged the airline, and the entire global aviation system.

“Our recovery is well underway and operating performance is improving steadily, but like most airlines globally, we continue to experience challenges that make it hard at times for our fantastic team to deliver the level of service we expect of ourselves, and our customers expect of us,” says Mr Foran.

“We know we have more work to do to tackle customer concerns like long wait times at our call centres, getting planes to depart and arrive on time, lost baggage and getting refunds back in a timely manner. We want to thank customers for bearing with us through these and other challenges since we restarted flying. We’re very aware that flying is not currently the pain-free experience it should be and getting back into shape is a key priority.

“On top of this, air fares are higher than they were pre-Covid. Like many businesses, we’re facing a high inflation environment with increased fuel, labour and other supplier costs at a time when more customers are wanting to travel, and that flows through to ticket prices.

“A key focus for the team has been bringing back much needed capacity to minimise the impact of higher prices on customers. With six Boeing 777-300ER widebody aircraft now returned into service, three new domestically configured A321neo aircraft delivered and a fully crewed leased aircraft to serve the Auckland-Perth route, we are adding capacity back at pace.”

Alongside this, the airline is also working to extend lease agreements, where appropriate, on existing aircraft and making tactical changes to the network to deliver an additional 2.7 million seats, or an extra 10,000 seats a day for the coming northern summer period, which runs from the end of March until the end of October.

“I’m incredibly proud of our people because, despite the challenges we’ve faced, we have fully reopened our international network, launched our flagship service to New York, and improved our onboard food service. We’ve also upgraded our mobile app, grown our Airpoints Store six-fold since 2019 and taken bold steps towards becoming a more sustainable airline. That is no small ask.

“We’re investing in our people, recruiting 2,000 employees in the last six months alone, increasing our lowest wages and supporting new parents by improving parental leave.”

Dame Therese highlighted the airline’s ability to take a long-term view despite the short-term operational challenges, by delivering digital enhancements, beginning construction on a new

hangar at Auckland airport, and taking meaningful steps on its decarbonisation journey – all supported by the everyday efforts of a special team.

“We’ve short-listed four world-leading innovators, along with five long-term partners, to help us deliver on our mission to have our first zero-emissions demonstrator flight in the skies in 2026, and a new regional Q300 turboprop fleet from 2030.

“We’ve also welcomed our first shipment of imported Sustainable Aviation Fuel into Aotearoa, which was a huge milestone for us. We’re committed to finding a more sustainable way to connect with the world and know that the future of travel relies on low-carbon air transport.

“As we look ahead to the second half of this financial year, macroeconomic challenges are front of mind, including the financial impact of inflationary pressures and geopolitical uncertainty. At this moment, however, we are observing demand trends that are offsetting these macro headwinds. Air travel is still in the Covid recovery phase with high levels of demand, and the current capacity and supply chain constraints will limit supply at least in the short-term. The new hybrid work environment has also enabled greater freedom and flexibility for customers which we believe will continue to drive domestic leisure bookings.

“While we cannot predict the future, we know this new normal we find ourselves in requires great skill and dexterity to navigate. Having now spent the better part of three years dealing with constant change and flux, our people are the very best in the business to deal with anything that comes our way.”

Distributions

At the capital raise in May 2022, the Board outlined its intention to consider dividends to shareholders no earlier than the 2026 financial year, based on a number of factors including the expected trajectory of demand recovery and the airline’s financial performance.

Air New Zealand has experienced a stronger and faster recovery than initially expected, with borders reopening early, and strong and sustained levels of demand. On this basis, the Board will consider distributions to shareholders in August when the airline announces its 2023 annual financial results.

Outlook for 2023

Looking to the remainder of the financial year, we are optimistic about the levels of demand we continue to observe but acknowledge there is significant uncertainty regarding the overall economic outlook both domestically and internationally, with increasing inflationary pressures, tighter monetary policy and other macroeconomic factors. We also note that the second half of the financial year is typically weaker than the first half.

Against this backdrop and based on the assumption of an average jet fuel price of US\$105 per barrel for the second half of the financial year, 2023 earnings before other significant items and taxation are expected to be in the range of \$450 million to \$530 million. This guidance includes a preliminary estimate of the impact of the Auckland floods and Cyclone Gabrielle.

Supplementary table – Summary data from the interim financial statements

	1H 2023 \$M	1H 2022 \$M
Operating revenue	3,078	1,125
Earnings/(loss) before other significant items and taxation	299	(367)
Statutory earnings/(loss) before taxation	299	(376)
Net profit/(loss) after taxation	213	(272)

Ends

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