Auckland Airport

AKL

Media Release | 20 February 2025

1H25 results: Increased demand from Kiwis for international travel offsets subdued domestic aviation market conditions

Key performance data for the six months to 31 December 2024:

- Total number of passengers increased 2.3% to 9.46 million
- Domestic passenger numbers increased 0.1% to 4.27 million, and international passenger numbers (including transits) increased 4.1% to 5.19 million
- Revenue was up 13% to $499.9 million. Excluding interest income, revenue was up 11% to $484.2 million
- Operating EBITDAFI[1] was up 13% to $349.6 million
- Net underlying profit after tax[1] was up 2% to $148.1 million
- Reported profit after tax[2] including revaluations was up 58% to $187.3 million
- An interim dividend of 6.25 cents per share will be paid on 4 April 2025. Total dividends declared of $105.1 million.

Auckland Airport today announced its financial results for the six months to 31 December 2024.

Auckland Airport Chair Julia Hoare said demand for travel was solid during the first half of the 2025 financial year (FY25), although growth was more subdued than expected due to market conditions.

"A clear trend over the summer period is that New Zealanders haven't lost their love of international travel, with more Kiwis travelling offshore than ever before, up 5.5% to 2.42 million during the half-year compared to the same period last year," she said.

"Other bright spots were Auckland Airport achieving the busiest month for international travel since 2019 in December, followed by 36,000 international travellers flowing through the terminal on 5 January - our busiest day in more than five years.

"Overall, however, growth in the international market has been softer than expected, particularly for inbound visitors. The global market to attract tourists is highly competitive, and that's making it more challenging for New Zealand to secure additional airline routes and services.

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[1] We recognise that EBITDAFI and underlying profit are non-GAAP measures. Please refer to the table at the end of the media release for the reconciliation of reported profit after tax to underlying profit after tax

[2] Includes a $50.5 million net revaluation gain, compared to a $27.1 million net revaluation loss in the same period last year

“AKL is proud to serve as a critical enabler of economic growth for New Zealand, with $35.1 billion of economic output from international and domestic travel and tourism generated by Auckland Airport aviation connections each year and more than $26 billion in annual trade flowing through the airport.

“We know international air capacity has a direct cascade effect on tourism, trade and New Zealand’s economy, and it's vital we tackle this challenge now as a country to close the gap on the recovery and maintain our share of the global market,” Ms Hoare said.

Chief Executive Carrie Hurihanganui said capacity in the international market remained flat during the half-year period at 89% compared to 2019 levels, impacted by competition in the market and other factors such as Air New Zealand’s fleet issues.

“We welcome the Government’s commitment to boosting international tourism, including the new campaign to encourage visitation from Australia,” she said.

“The Auckland Airport team is also extremely active in the competitive global market, telling the world about New Zealand and working to develop new airline partnerships and to stimulate demand from foreign visitors.

“We know the long-term fundamentals of New Zealand as a top tourist destination are strong but competition is tough for available international airline capacity.

“Of note, we are seeing the pace of growth accelerate in other key markets, with New Zealand currently lagging behind. For example, at some Australian airports, airline seat capacity is now exceeding 2019 levels, while New Zealand is sitting further behind in the recovery with international capacity at 89% overall for the half-year period compared to 2019. A key factor driving this is Australian travellers looking beyond New Zealand and choosing to visit destinations in Asia for their holidays.”

Ms Hurihanganui said it was a similar story in the domestic market, with capacity flat at 88% during the first half of FY25, constrained by Air New Zealand’s fleet issues and the challenging local economic conditions.

“We acknowledge Air New Zealand is facing difficult fleet challenges which is constraining their ability to grow. However, we are concerned that the 84% market share they hold over New Zealand’s domestic aviation market is not meeting the needs of consumers or regional communities.

“There are now 1.5 million fewer seats flying per year in the domestic network than in 2019, equivalent to 29,000 fewer seats per week. The regions are bearing the brunt of this through reduced morning and evening services, making day trips impossible for many business travellers, and a shrinking pool of alternative options.

“Domestic flights are very full with an average load factor of 85%, meaning higher airfares and higher yields for airlines due to the constrained capacity.

“We think questions need to be raised about the competitiveness of the domestic aviation sector, with a focus on regional routes. Left unchecked, the benefits of tourism and travel to New Zealand’s regions will continue to be held back by fewer planes flying and lack of competitive airfares.”

Ms Hurihanganui said despite the subdued market conditions in the near-term, Auckland Airport remained optimistic and continued to look to the long-term future. She said that along with working proactively in the international market to generate new air connectivity, the airport team was making substantial progress on its construction programme to upgrade New Zealand's gateway airport.

The airport's new integrated domestic terminal programme is now 31% complete; the airfield expansion is 66.5% advanced alongside major stormwater improvements; and the airport's new Transport Hub is completed and open to travellers, with its rooftop solar array delivering 1.2 megawatts of energy.

"Investment in Auckland Airport will unlock even more of our country's potential. Each daily widebody jet service, over the course of a year, brings in an estimated $150 million of annual international tourism spend, and moves $500 million combined in high value exports and imports – providing New Zealand businesses with vital trade connectivity.

"By 2032, the upgrade and expansion of Auckland Airport will allow it to support about $55 billion in economic value from travel and tourism and $41 billion in trade, supporting the Government's aspiration of doubling our country's exports over the next decade."

Ms Hurihanganui said travellers were already experiencing tangible improvements in their travel experience.

"The new Transport Hub and upgrade of the plaza area outside the international terminal are delivering important customer benefits, with an improved undercover pick-up and drop-off area and new seating and landscaped areas.

"The ongoing collaboration with our airport partners and the introduction of technology solutions, such as the computed tomography (CT) scanning machines by Aviation Security, are delivering improvements.

"Within our international check-in we've begun introducing self-service check-in options, which will help to progress towards a future where all domestic and international travellers will use the same check-in space.

"Behind our international check-in, the process of renewing our 30-year-old baggage system is well underway with essential technology upgrades which will ensure the future resilience and smooth running of the baggage system."

Ms Hurihanganui said delivering infrastructure improvements in a 24/7 airport was highly complex, and Auckland Airport's focus was on making traveller journeys as seamless as possible.

"I'm very thankful for the patience of travellers and our airport partners as we undertake construction in a live, operating environment. AKL is one of 200 airports throughout the world that is currently building for the long haul. When completed, the result will be worth it."

During the first half FY25, Auckland Airport's aeronautical revenues rose 15% compared with the same period last year. Ms Hurihanganui said while revenue was up, a significant driver of this was the airport catching up on a shortfall in revenue in FY23 that resulted from a price freeze introduced that year to support airlines as they recovered from the pandemic. The price freeze was lifted at the start of FY24. During the half-year period revenue also rose off the back of the increase in passenger numbers and higher aeronautical charges associated with the investment in aeronautical infrastructure.

Auckland Airport's commercial business continued to perform strongly during the half-year period, reinforcing the key role the airport plays as a trade hub for New Zealand. Recent property developments include construction of 49,600sqm of new warehousing for DHL and IKEA at The Landing business park.

In retail, the increase in passenger numbers, along with new store concessions and the improved performance of duty-free retail, all contributed to a positive result for the half-year period.

Meanwhile, the airport's new premium outlet shopping centre, Mānawa Bay, is now home to 109 business outlets, including 20 new stores that are a first in New Zealand and new entrants to the local market.

"In what is a tough retail environment, Mānawa Bay has been a popular addition to the Auckland retail market," Ms Hurihanganui said.

"It has created employment for more than 500 people across a range of retail and hospitality roles, and is providing a new shopping amenity for the 75,000 people who engage with the airport every day, including airport workers and the Auckland community."

The completion of the $300 million-plus Transport Hub during the half-year period delivered improvements in parking options for travellers, returning carparking to the front door of the international terminal. Across the precinct, carpark exits increased during the period, however the performance of the transport business was more subdued than expected reflecting the current domestic economic climate and associated reduced capacity in the domestic market.

On the regulatory front, the Commerce Commission continues to progress its review of Auckland Airport's Price Setting Event 4 (PSE4), with the final review expected to be released in the first quarter of the 2025 calendar year. In its draft report in July 2024, the commission concluded Auckland Airport had undergone extensive consultation with airlines on its capital plan, and that the airport's planned expenditure appeared reasonable, had significant rigour applied to it, and benchmarked well internationally. The Commission also indicated that Auckland Airport was targeting a weighted average cost of capital (WACC) that is higher than what it considered to be reasonable.

"The Commission recognised there were legitimate reasons to reflect the risk of pandemics in our WACC following COVID-19, which is calculated with reference to methodologies established by the Commerce Commission. Following Auckland Airport setting prices, the Commerce Commission updated the WACC methodologies to reflect pandemic risk but adopted a different approach. The Commerce Commission relied on these new and updated methodologies for its assessment on our pricing.

"We have provided further information to the commission about why we think the basis for our WACC is appropriate, however if the final report continues to say our WACC is too high we will adjust our pricing - consistent with the approach we took in the previous pricing review."

Alongside this, an appeal is underway with the High Court (called a merits review) following a decision in late 2023 by the Commerce Commission, which regulates the pricing of major airports, on a new WACC benchmark (called an input methodology). Auckland Airport has joined with other regulated airports and the New Zealand Airports' Association (which represents city and regional airports) in the appeal.

Looking ahead to the remainder of the 2025 financial year, Ms Hurihanganui said aeronautical and commercial activity is expected to be resilient, but uncertainty remained around seat capacity and New Zealand's subdued local economy. Reflecting this, Auckland Airport is narrowing its guidance of underlying profit after tax (excluding any fair value changes and other one-off items) from between $280 million to $320 million to a range of between $290 million and $320 million. As the airport's infrastructure development programme continues to progress, Auckland Airport is reconfirming its guidance on capital expenditure of between $1 billion and $1.3 billion for the year. As always, this guidance is subject to any material adverse events, significant one-off expenses, deterioration as a result of global market conditions, or other unforeseeable circumstances.

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The table below shows the reconciliation between reported profit after tax and underlying profit or loss after tax for the six months ended 31 December 2024 and 2023.

	2024			2023		
	Reported profit $M	Adjustments $M	Underlying profit $M	Reported profit $M	Adjustments $M	Underlying profit $M
EBITDAFI per Income Statement	**349.6**	**-**	**349.6**	**310.2**	**-**	**310.2**
Investment property fair value change	50.5	(50.5)	-	(27.1)	27.1	-
Derivative fair value change	(0.5)	0.5	-	(0.3)	0.3	-
Share of profit / (loss) of associate and joint ventures	3.5	(0.2)	3.3	4.7	(0.3)	4.4
Depreciation	(99.2)	-	(99.2)	(84.3)	-	(84.3)
Interest expense and other finance costs	(43.9)	-	(43.9)	(33.1)	-	(33.1)
Taxation (expense) / benefit	(72.7)	11.0	(61.7)	(51.4)	(0.1)	(51.5)
Profit after tax	**187.3**	**(39.2)**	**148.1**	**118.7**	**27.0**	**145.7**

We have made the following adjustments to show underlying profit after tax for the six months ended 31 December 2024 and 2023:

- reversed out the impact of revaluations of investment property. An investor should monitor changes in investment property over time as a measure of growing value. However, a change in one particular year is too short to measure long-term performance. Changes between years can be volatile and, consequently, will impact comparisons. Finally, the revaluation is unrealised and, therefore, is not considered when determining dividends in accordance with the dividend policy;
- reversed out the impact of derivative fair value movements. These are unrealised and relate to basis swaps that do not qualify for hedge accounting on foreign exchange hedges, as well as any ineffective valuation movements in other financial derivatives. The group holds its derivatives to maturity, so any fair value movements are expected to reverse out over their remaining lives;
- adjusted the share of profit of associates and joint ventures to reverse out the impacts on those profits from revaluations of investment property and financial derivatives; and
- reversed out the taxation impacts of the above movements in both years.