Media Release

29 August 2024

Air New Zealand announces 2024 Annual Results and declares final dividend

Summary

- Earnings before taxation of $222 million
- Net profit after taxation of $146 million
- Passenger revenue of $5.9 billion
- Liquidity of $1.5 billion
- Unimputed final dividend of 1.5 cents per share declared, resulting in total ordinary dividends of 3.5 cents per share for the year

Air New Zealand today announced earnings before taxation for the 2024 financial year of $222 million compared to $574 million for the same period last year. This was an expected reduction on the prior year, when the airline recorded one of its highest ever results following the reopening of New Zealand's border. Net profit after taxation was $146 million.

While Air New Zealand reported a solid first half result, the second half of the financial year proved increasingly challenging as the impact of operational and economic headwinds became more pronounced.

The tougher economic backdrop in New Zealand drove a deterioration in domestic demand in the second half, particularly for corporate and government segments. Accelerated maintenance requirements for Pratt & Whitney PW1100 engines worldwide have meant that up to six of the airline's newest and most efficient Airbus neo aircraft have been out of service at times. Ongoing additional maintenance requirements on the Trent 1000 engines that power the existing Boeing 787 Dreamliner fleet and reduced levels of spares in the market have meant that up to three Dreamliners are also on the ground at times. These issues, alongside elevated competition from US carriers and the cumulative effect of high inflation, have had a significant impact on the airline's operational and financial performance for the 2024 financial year.

Passenger revenue increased 11 percent to $5.9 billion, driven by a 23 percent ramp-up in capacity, primarily across the international long-haul network. This was partially offset by the weaker demand environment and higher levels of competition. Also included within passenger revenue is $90 million of credit breakage for unused customer credits that were considered highly unlikely to be redeemed.

While average jet fuel prices were slightly lower for the year, total fuel costs increased by around $190 million, driven by capacity growth across the network. Non-fuel operating costs increased faster than revenue, also driven by the increase in capacity, as well as broad based inflation across the cost base.

Non-fuel operating cost inflation of approximately $225 million was a significant drag on the airline's financial performance. With landing charges, air navigation fees and engineering materials leading the increases, the non-fuel operating cost uplift of six percent for the year brings the cumulative impact of inflation across the past five years to 20 to 25 percent. While growth in the network has provided some scale benefits, productivity remains below the levels achieved pre-Covid as the airline carries extra costs to help manage ongoing disruptions in the supply chain.

Based on the airline's balance sheet strength and the result announced today, shareholders will receive a final unimputed ordinary dividend of 1.5 cents per share, taking the total ordinary dividends declared for the year to 3.5 cents per share. The dividend will be paid on 26 September, to shareholders on record as at 13 September.

Chair Dame Therese Walsh acknowledged the hard work and efforts of 11,700[1] Air New Zealanders who have risen to the raft of challenges the airline has faced.

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[1] Refers to Full Time Equivalent employees

“It’s been a difficult year managing both macroeconomic and operational challenges. I’d like to thank the Air New Zealand whānau, not only for navigating these issues with great skill and manaaki, but also for never losing sight of what the organisation needs to do to be a future-fit airline.

“We know these challenges will pass, some faster than others, but they have had a significant impact on our financial performance this year. Today we announced earnings before taxation of $222 million and estimate earnings would have been around $100 million higher, net of compensation, had we been able to operate our aircraft and schedule as intended.”

Dame Therese went on to note that despite the near-term challenges, the airline remains focused on opportunities to improve returns, while staying true to its culture and commitment to provide a world-class travel experience for customers.

“Our balance sheet is robust, with capacity to prudently manage these headwinds while investing sensibly in the areas that matter for our people and our customers. We believe in the strength of our plan and our team and are excited about the opportunities ahead as we move out of this current cycle.”

In the face of extensive external disruptions, Chief Executive Officer Greg Foran thanked customers and Air New Zealanders alike for their ongoing support.

“I want to acknowledge the understanding and loyalty of our customers who were impacted by unavoidable scheduling changes while travelling with us this year. We do not take our customers choice to fly with Air New Zealand for granted and are grateful for the patience they have shown us.

“We took immediate action to minimise the disruption, leasing three Boeing 777-300ERs, securing additional spare engines and adjusting our network and schedule to deliver greater reliability. We are very proud of what our team managed to achieve, but we know it has been far from perfect for impacted customers.

“The challenges we are facing are not unique to Air New Zealand. Supply chain and aircraft delivery delays, growing costs and a shortage of labour in key areas like engineering are major issues facing many airlines across the global aviation industry. However, the reality is that while these issues continue to play out, Air New Zealand is expecting a challenging year ahead.”

Mr Foran went on to say that Air New Zealand was fundamentally well-positioned and would not let the current environment distract the airline from delivering on its purpose.

“As we continue to navigate this difficult environment, we remain focused on the big picture - controlling what we can, relentlessly focusing on our customers and our people, and investing for the future. Our Kia Mau strategy continues to serve us well, driving improvements in our core capabilities, and we’ve made considerable progress on many fronts.

“A key priority for us continues to be delivering excellent customer service and a range of competitive fares. This requires ongoing discipline around our cost base, and you will see us make targeted adjustments, including around a 2 percent reduction in headcount, as well as pursuing improvements in the controllable cost base.

“We remain committed to investing for the future, with expected aircraft-related capital expenditure of $3.2 billion over the next five years. This includes a significant, multi-year interior retrofit programme on our 14 existing Dreamliner aircraft. We anticipate delivery of the first new GE-powered Boeing 787-9 aircraft towards the end of the 2025 calendar year, which will provide options for continued growth, cost efficiencies and network expansion opportunities.”

Mr Foran went on to conclude that the airline is focused on operating effectively through the current economic and operating conditions, which are expected to continue through the first half of the 2025 financial year.

Outlook

Air New Zealand has outlined today a number of trading conditions that have significantly impacted the result for the second half of the 2024 financial year, in particular the tougher economic backdrop in New Zealand driving softness in demand, the cumulative impact of inflationary cost pressures, the impacts of aircraft availability issues and significant competition on its US network.

Air New Zealand expects these trading conditions to remain similar through the first half of the 2025 financial year. Given the ongoing uncertainty, the airline is not providing guidance at this time.

Supplementary table – Financial highlights

	1H 2024 $M	2H 2024 $M	FY 2024[2] $M
Operating revenue	3,474	3,278	6,752
Earnings before taxation	185	37	222
Net profit after taxation	129	17	146

	1H 2023 $M	2H 2023 $M	FY 2023[2] $M
Operating revenue	3,078	3,252	6,330
Earnings before taxation	299	275	574
Net profit after taxation	213	199	412

This announcement is authorised for release on the NZX and ASX by Jennifer Page, General Counsel and Company Secretary.

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[2] Per the 2024 audited consolidated financial statements contained in the 2024 Annual Report.