Media Release

Media release
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Refuelled for recovery, Air New Zealand announces 2022 annual result

2022 Financial summary

- Loss before other significant items and taxation of $725 million[1], compared to $444 million in the prior year
- Statutory loss before taxation of $810 million
- Operating revenue lifts 9 percent to $2.7 billion, driven by Cargo performance
- Recapitalisation completed in May, raising $2.2 billion
- Liquidity of $2.3 billion as at 23 August

In a year of ongoing twists and turns, Air New Zealand has recapitalised its business and, in the last quarter, experienced greater than expected demand for travel, while managing rising costs and an ongoing pandemic.

The airline has today announced a loss before other significant items and taxation of $725 million for the 2022 financial year, consistent with guidance provided to the market in June. The statutory loss before taxation was $810 million[2].

Although the financial year ended strongly following the phased reopening of New Zealand's borders from March, the airline's operating revenue of $2.7 billion was significantly impacted by pandemic related travel restrictions.

Cargo and domestic revenues helped lift overall revenue by 9 percent, however high fuel prices and reduced flying over much of the year resulted in a loss for the period.

Air New Zealand Chief Executive Officer Greg Foran said the airline continued to be guided by a clear strategy, moving deftly to address continued change by focusing on doing the right thing for its stakeholders.

"For customers, we've been focused on restoring services, maintaining a choice of fares and launching innovations to improve their journey with us. For our amazing staff we have provided one-off awards to acknowledge their continued extra mahi, and for our communities we've been obsessed with operational performance, which drives the reliable services they depend on," says Mr Foran.

"For our shareholders, whose support has refuelled the business for future growth, we've completed a successful recapitalisation that was structured to be fair to our shareholders, including those that didn't take up the rights offer."

Mr Foran said cargo revenue continued to be a major contributor to the company's performance, up 32 percent to $1.0 billion. Additional flying under the New Zealand and Australian government airfreight schemes contributed $403 million of that revenue. With borders now largely reopened, the Australian scheme has ended, and the New Zealand scheme is tapering off and will cease by the end of March 2023.

Firmly in the 'revive' phase of the 'survive, revive, thrive' journey, Mr Foran says the current environment is one of strong bookings despite ongoing challenges.

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[1] Loss before other significant items and taxation represent 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. Loss before other significant items and taxation is reported within Note 3 of the Group's 2022 audited annual financial statements

[2] Please refer to supplementary table on page 3 for further information.

When travel restrictions began to lift in March the company recorded a very strong recovery in bookings and revenues. This trend continues, with high booking levels through July and August. Corporate bookings are also encouraging and are trending closely towards pre-Covid levels.

Mr Foran referred to the airline's mid-August schedule changes, which reduced seats by 1.5 percent through to the end of March 2023, as another example of doing the right thing for stakeholders.

"As we've been seeing overseas, travel demand is much stronger than anyone anticipated. But we're operating in a very tight labour market with high fuel prices, tough economic conditions and the highest levels of employee sickness in more than a decade.

"Our rehiring efforts and training capability have been excellent, as has work to get our Boeing 777-300ER aircraft back flying again, but the experience for some of our customers and the impact on our front-line staff this winter has been unacceptable, so we've adapted yet again.

"Having adjusted our schedule to provide customers with increased surety over their travel plans for the coming spring and summer, I am hugely appreciative of the work the Air New Zealand whānau has done to deliver more than 25,000 flights across June and July alone."

The airline also made investment decisions in support of its Kia Mau strategy. These include the plan to move the Auckland workforce to its airport campus, investment in a new hangar at Auckland airport and the decision to close its Gas Turbines business unit by the middle of the 2023 calendar year.

Air New Zealand Chair Dame Therese Walsh thanked Greg and the Air New Zealand team for a year in which the airline not only managed significant challenges but also introduced changes that will deliver improved services to customers and made progress on their long-term sustainability goals.

"The airline's continued ability to step carefully through an ongoing pandemic while looking beyond the horizon is becoming a core capability. While introducing and then removing vaccination requirements for domestic travel, there have been preparations for our New York launch and the completion of designs for our new Boeing 787 Dreamliner cabin experience.

"For our Airpoints™ members there were more than 2,000 new products added to our Airpoints™ store as well as the introduction of Flexipay, so customers can enjoy even more online shopping options. I'm especially excited about our next generation app, which will give customers a more seamless travel experience when it rolls out in the coming months.

"In April we announced 'Flight NZ0', a programme to engage customers as we work towards net zero carbon emissions by 2050. We were the second airline globally to announce an interim science-based target to 2030 and continue to make progress on sustainable aviation fuel and zero emissions aircraft technology.

"Throughout the year we have also made improvements to the pay and conditions for our people, settling 12 collective employment agreements, increasing the base pay of our front-line workers and restarting incentive payments to staff on individual employment agreements ensure we retain our dedicated team."

Dame Therese acknowledged the support the airline has received from its shareholders over the course of a challenging two-year period.

"From the Crown loan provided in the early days of the pandemic, to the airfreight support scheme that helped us keep connected to key export markets, to the $2.2 billion recapitalisation completed in May which allowed thousands of shareholders to take part in refuelling the airline for success. We have had significant support from all our shareholders and for that we are truly grateful."

Strong liquidity position with dividend suspended

As at 23 August 2022, the airline has available liquidity of $2.3 billion, consisting of approximately $1.9 billion in cash and $400 million of available funds on the unsecured standby loan facility with the Crown. The cash balance includes $200 million of issued redeemable shares which the airline intends to redeem once our recovery is further progressed.

The Board does not expect to consider payment of dividends before the airline's earnings substantially recover, and in the context of a supportive and sustained broader economic environment and recovery.

Outlook for 2023

With borders now open to the majority of the airline's markets, Air New Zealand expects the 2023 financial year to represent the first full year of uninterrupted passenger flying since the beginning of the pandemic.

Total flying capacity for the 2023 financial year is expected to be in the range of 75 percent to 80 percent of pre-Covid levels. On this basis, the airline anticipates a significant improvement in financial performance relative to financial year 2022.

Given the degree of uncertainty regarding volatility in jet fuel prices, the risk of a global recession, and other macroeconomic factors including inflationary pressures on costs, no earnings guidance will be provided at this time.

Supplementary table – Summary data from the audited financial statements

	2022 $M	***2021 $M***	***% Movement***
Operating revenue	2,734	2,517	9%
Loss before other significant items and taxation	(725)	(444)	(63%)
Statutory loss before taxation	(810)	(415)	(95%)
Net loss after taxation	(591)	(292)	(102%)

Ends

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