

Media Release

Media release
23 August 2018

Second highest profit in Air New Zealand's history enables reinvestment in customer experience and staff bonuses

Highlights

- Achieved second highest profit of **\$540 million**
- Investment of approximately **\$150 million** expected over the next four years to enhance customer experience in key areas, including new cabin experience, digital products and lounges
- Commitment to **third short term leased widebody aircraft** to further assist with schedule reliability during ongoing maintenance requirements associated with the global Rolls-Royce Trent 1000 engine issues
- Staff bonuses of up to **\$1,800** for all permanent employees who do not participate in a Short Term Incentive programme

Air New Zealand today announced earnings before taxation for the 2018 financial year of \$540 million, an increase from the prior year result of \$527 million, representing the second highest profit in the airline's history. Net profit after taxation grew 2.1 percent to \$390 million.

Shareholders of Air New Zealand will receive a final dividend of 11.0 cents per share, taking the total ordinary declared dividend for the year to 22.0 cents per share, an increase of 4.8 percent from the prior year. The dividend will be paid on 19 September, to shareholders on record as at 7 September.

Chairman Tony Carter praised the strength of the result, which demonstrates the airline's resiliency.

"This is an impressive financial result, driven by strong revenue growth across the airline's key markets, as well as continued focus on sustainable cost improvement, despite significantly higher fuel prices.

"The ability of the airline to achieve its second highest profit in such a challenging environment really speaks to the focused strategy and unique competitive advantages that Chief Executive Officer Christopher Luxon and his leadership team have spent years building," says Mr Carter.

In recognition of the robustness of the 2018 result, the Board has awarded staff bonuses of up to \$1,800 to be paid next week to approximately 8,500 Air New Zealanders who do not have other incentive programmes as part of their employment agreement.

Mr Luxon acknowledged the impact of external disruptions on the airline's operational performance and thanked both customers and staff for their loyalty and support.

"While we are very proud of the financial achievements of the 2018 financial year, I want to acknowledge the patience and loyalty of our customers who have been impacted by operational disruptions while travelling with us this year. These disruptions have resulted in a level of service for some that did not meet the high standards we set for ourselves.

"We do not take our customers' choice to fly with Air New Zealand for granted and remain focused on making improvements across all touch points of their travel journey," says Mr Luxon.

To deliver greater schedule reliability for customers going forward, Air New Zealand will be leasing three widebody aircraft, two Boeing 777-200s and one Boeing 777-300, as well as making adjustments to its schedule as the airline continues to work through the maintenance requirements associated with the global Rolls-Royce Trent 1000 engine issues.

“The adjustments to our schedule will essentially free up two widebody aircraft enabling us to provide greater schedule certainty for customers. This will include adjusting weekly frequency on our Buenos Aires and Taipei services, as well as seeking to retime our flights to Tokyo’s Haneda Airport. We are confident that these proactive steps will result in better reliability for our customers,” says Mr Luxon.

2019 promises to be an exciting year for the airline and its customers, as Air New Zealand will offer more cheap fares than ever over the next year as domestic jet capacity grows by three to five percent and regional turboprop capacity grows by five to seven percent.

“One of the benefits of a growing Air New Zealand is more opportunities than ever for Kiwis to snap up a bargain. In 2019, we will offer more than 2.9 million seats for travel in New Zealand for under \$100,” Mr Luxon says.

This year will also see the launch of new direct services to Chicago and Taipei commencing in November, new services to Brisbane from both Wellington and Queenstown beginning in December, as well as a new third daily service added to the Auckland-Singapore route in partnership with Singapore Airlines.

The airline is expecting to receive delivery of 10 Airbus A320/321 NEO aircraft, which will provide continued growth and cost benefits to the Tasman and Pacific Islands network. Air New Zealand will be the first airline to fly the Airbus NEO in Australasia. Two Boeing 787-9 aircraft with increased premium cabin space and next generation Rolls-Royce TEN engines will also join the fleet.

Anticipating continued future domestic network growth, Air New Zealand has announced capital expenditure for seven Airbus A321 NEO aircraft, with phased delivery expected from 2020 to 2024. The additional aircraft will be deployed on high demand routes to support further domestic growth. Equipped with new generation engines and approximately 25 percent more seats, the A321 NEOs are expected to deliver fuel savings and efficiencies of up to 15 percent compared to the airline’s existing A320 domestic aircraft, helping to reduce carbon emissions.

Air New Zealand’s Pacific Rim growth strategy has allowed for consistently profitable network expansion over the past five years, with 17 million passengers a year travelling on the airline compared with 13 million back in 2013. The airline is focusing on continued investment in regional lounges, customer contact centres and inflight products and services to enhance the customer experience.

Mr Luxon said the airline sees positive demand signals in the short term, with strong forward bookings heading into the peak summer season and passenger growth expected to continue its upward trajectory.

“Looking out over the next two years, the airline is expecting to grow by one million customers a year, reaching 19 million customers by the end of 2020,” says Mr Luxon.

Outlook

Based upon current market conditions and assuming an average jet fuel price of US\$85 per barrel, 2019 underlying earnings before taxation is expected to be in the range of \$425 million to \$525 million.

This excludes an estimated \$30 million to \$40 million impact from schedule changes prompted by the global Rolls-Royce engine issues.

Financial Highlights

- Record operating revenue of **\$5.5 billion**, up 7.4%
- Earnings before taxation of **\$540 million**, up 2.5%
- Net profit after taxation of **\$390 million**, up 2.1%
- Operating cash flow of **\$1 billion**, up 14%
- Fully imputed final dividend of **11.0 cents per share**, bringing the 2018 full year fully imputed ordinary dividends to **22.0 cents per share**, an increase of 4.8% from the prior year

Ends

Issued by Air New Zealand Public Affairs ph +64 21 747 320