

Interim Financial Results 2024

AIR NEW ZEALAND 

Investor presentation
22 February 2024

A STAR ALLIANCE MEMBER 



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The following non-GAAP measures are not audited: CASK, Gearing, Net Debt, Gross Debt, EBITDA, and RASK. Amounts used within the calculations are derived from the interim financial statements where possible. The interim financial statements are subject to review by the Group's external auditors. The non-GAAP measures are used by management and the Board of Directors to assess the underlying financial performance of the Group in order to make decisions around the allocation of resources.

Refer to slide 30 for a glossary of the key terms used in this presentation.



BUSINESS UPDATE

GREG FORAN
CHIEF EXECUTIVE OFFICER



1H 2024 OVERVIEW

 <p>\$185M profit¹ for 1H 2024 Healthy demand offset by elevated market capacity and operational headwinds</p>	 <p>\$243M Cargo revenue Continues to be elevated above pre-Covid levels</p>	 <p>8.4M passengers Flown across our network Compared to 8.0M passengers in the first half last year</p>
 <p>2 cents per share Unimputed ordinary dividend for 1H 2024</p>	 <p>29% increase in capacity (ASKs)² As the international network continued to ramp-up</p>	 <p>~11,650 people³ Up 14%² Driven by strong demand and increased capacity</p>
 <p>4.4M loyalty members Up 400k² on last year, with programme perception levels at an all-time high</p>	 <p>World's safest airline for 2024 As named by Airlineratings.com</p>	 <p>First next gen aircraft announced A battery-powered all-electric aircraft, expected to join the fleet in 2026</p>

¹ Refers to statutory earnings before taxation.

² Compared to 1H 2023.

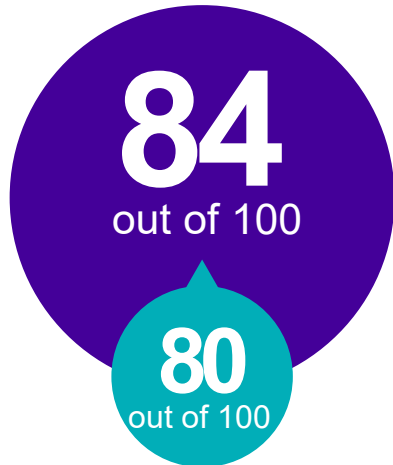
³ Refers to full-time equivalent employees.



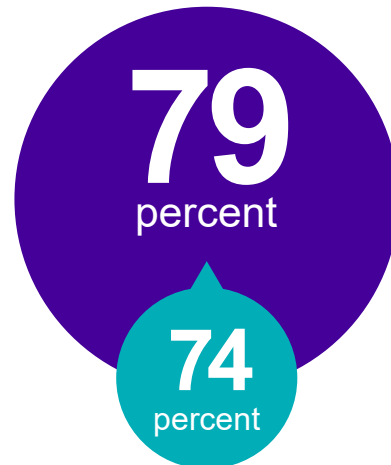
CONTINUED FOCUS ON DOING THE BASICS BRILLIANTLY

AGAINST A BACKDROP OF ONGOING INDUSTRY-WIDE CONSTRAINTS

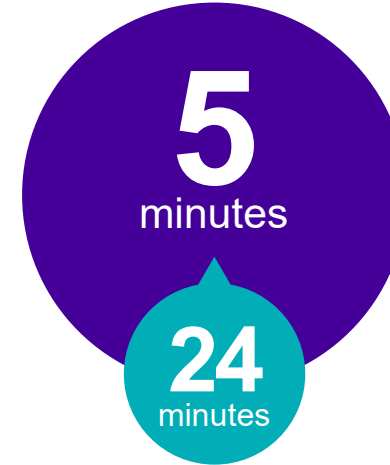
Customer satisfaction¹



On-time performance²



Contact centre average wait times¹



Mishandled baggage¹



● 1H 2024
● 1H 2023

¹ For the month of December.

² Average for the six months to 31 December.



WE HAVE ACTED QUICKLY TO PUT MITIGATIONS IN PLACE

BUT 2H 2024 WILL ALSO BE IMPACTED BY THESE CONSTRAINTS

Pratt & Whitney engine additional maintenance requirements

- Entered into two 777-300ER short-term dry leases with intention for a third
- Purchase of a spare engine for the NEO fleet
- Extension of WAMOS wet lease arrangement
- Broad-based schedule adjustments to best utilise aircraft across the network
- Increased contact centre support to deal with impacts of schedule adjustments

Aviation supply chain delays and infrastructure pressure

- Short-term leased aircraft and spare engines
- Active relationship management with Boeing
- Increasing inventory levels of key parts to reduce impact of supply chain delays
- Advocating for engineers to be added to the immigration green list

Rising input costs and inflation

- Driving productivity and efficiency initiatives
- Reviewing price and capacity settings
- Investing in training and digital tooling

Temporary cost headwinds of ~\$35 million in 2H to help operational resiliency and customer experience

WE HAVE FACED UNPRECEDENTED COMPETITION ON NORTH AMERICA

CORPORATE AND GOVERNMENT SOFTNESS CONTINUES IN DOMESTIC



International demand outlook

- Significant capacity growth from major US carriers impacting bookings and fares
- Tasman demand remains solid driven by a reduction in market yields
- Pacific Islands demand steady
- Asia performing well, demand out of India a standout
- Increased capacity on China challenged by visa processing delays

Domestic demand outlook

- Government and corporate demand has remained soft, SME segment has been resilient
- Targeted reduction in Domestic capacity in Q4 to better reflect current demand profile and improve operational resilience
- Domestic leisure and international connecting demand holding up, but sensitive to price changes
- Fare review underway to adjust selling yields commensurate with inflationary costs required to operate the Domestic network



FY2024 OUTLOOK

As noted in the airline's market update on 19 February 2024, a number of continuing economic and operational conditions have deteriorated and are now expected to have a significant adverse impact on performance in the second half.

These include the impact of additional competition on forward revenue performance, ongoing weakness in domestic corporate and government demand, temporary cost headwinds of \$35 million in the second half to alleviate customer impacts and operational pressures, as well as ongoing cost inflation.

In light of these conditions, the airline considers that performance for the second half of the 2024 financial year will be markedly lower than the first half.

In this context, and assuming an average jet fuel price of USD\$105/bbl for the second half, the airline currently expects earnings before taxation for the 2024 financial year to be in the range of \$200 million to \$240 million.

This range includes \$20 million of currently assumed additional Covid-related credit breakage over the second half. Future redemptions of Covid-related credits remain uncertain and subject to further actions.



FINANCIAL UPDATE

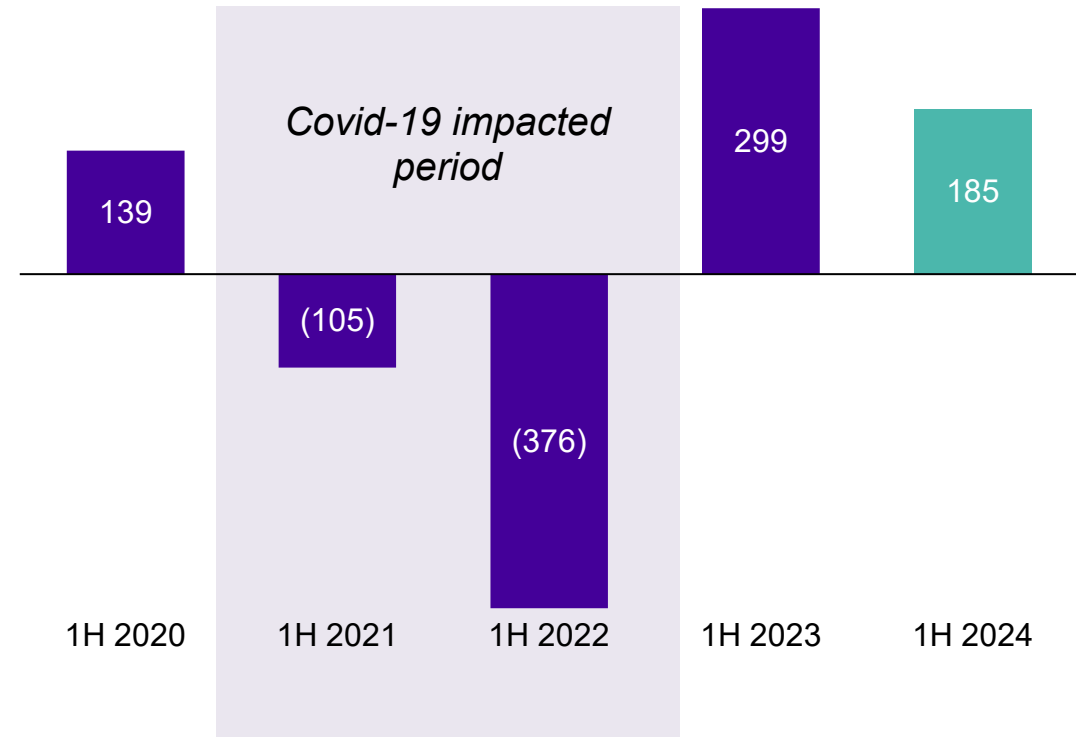
RICHARD THOMSON
CHIEF FINANCIAL OFFICER



1H 2024 FINANCIAL SUMMARY

- Operating revenue of **\$3.5 billion, up 13%**
- Passenger revenue of **\$3.1 billion, up 21%**
- Cargo revenue of **\$243 million, down 36%** on last year but **up 25% on pre-Covid¹**
- Earnings before taxation of **\$185 million**
- Net profit after tax of **\$129 million, down 39%**
- Liquidity of **\$2.1 billion²**
- Net debt to EBITDA of **0.6x**
- Unimputed ordinary interim dividend of **2.0 cents per share** equating to a **41% payout ratio³**

Earnings/(Loss) before taxation
(\$ millions)



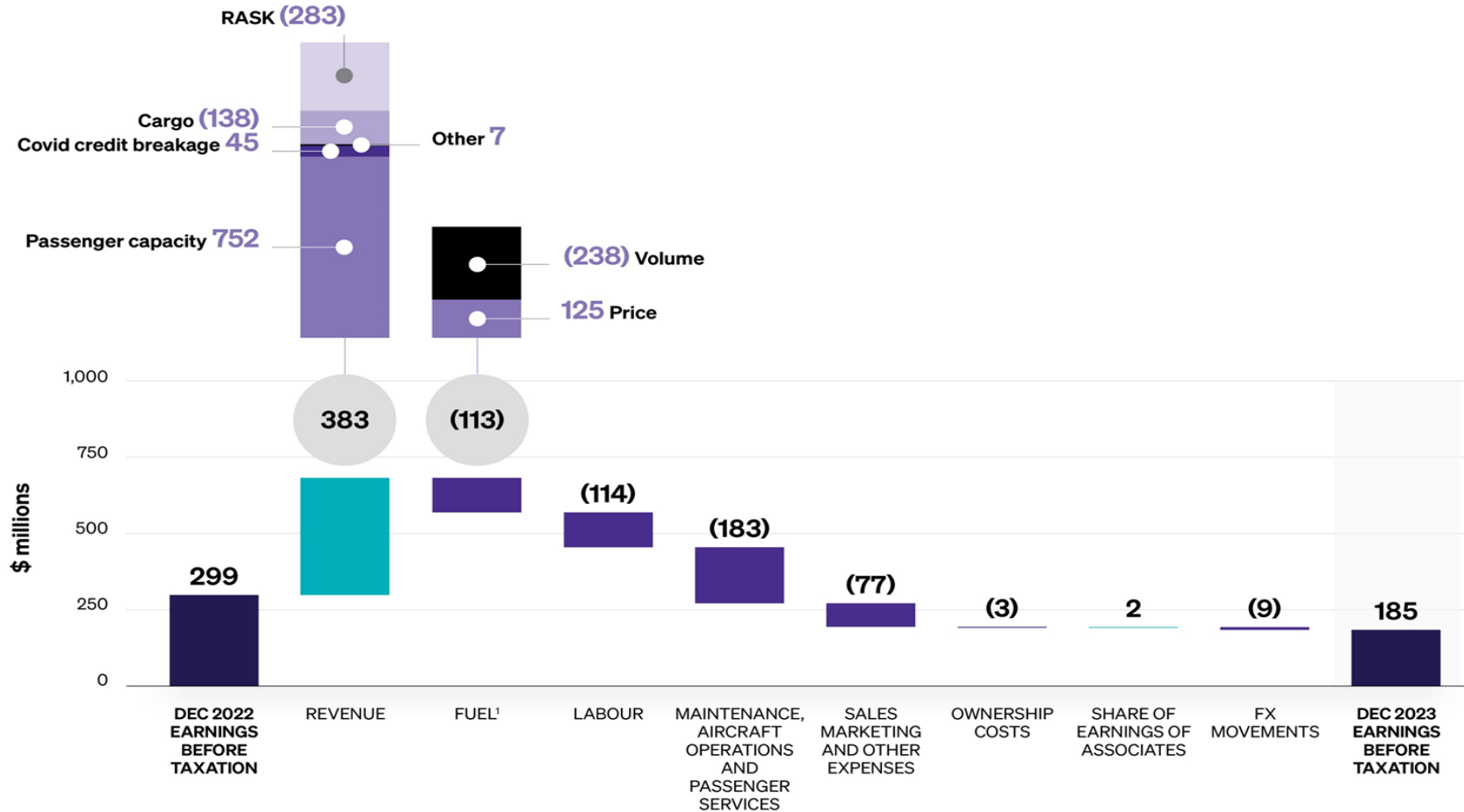
¹ Refers to the six months ended 31 Dec 2019.

² As at 31 December 2023, includes \$1.7 billion cash and \$400 million undrawn funds under the Crown Standby Facility.

³ The airline's policy is to pay ordinary dividends equal to between 40% to 70% of underlying net profit after tax (underlying NPAT), subject to the Board's discretion. NPAT is calculated on a rolling twelve-month basis.



PROFITABILITY WATERFALL



¹ For further details on fuel cost movement, refer to slide 22..

Additional commentary

- Significant activity increases when comparing 1H 2024 to 1H 2023 due to 29% growth in capacity this year.
- A summary of aggregate rate increases is provided below for key operational cost areas:

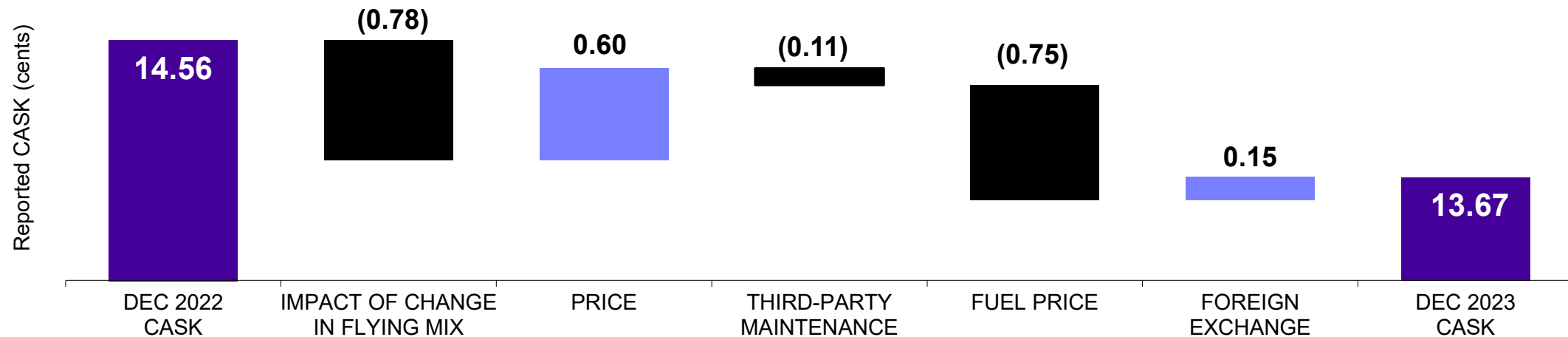
	HY24 price change
Maintenance, aircraft operations and passenger services	~ 8%
Labour	~ 4%
Sales, marketing and other expenses	~ 3%



UNDERLYING CASK IMPROVEMENT

DRIVEN BY THE MIX OF LONGER SECTOR FLYING IN 1H 2024

- **Reported CASK improved 6.1%** compared to last year, largely due to fuel price movements and mix of longer sector flying in the period
- Excluding the impact of fuel price movement, foreign exchange, and third-party maintenance, **underlying CASK improved 1.2%**. Underlying CASK has improved due to:
 - the change in mix of flying due to a higher proportion of lower CASK long-haul flying in 1H 2024
 - offset by non-fuel operating cost inflation of 5% across the cost base





FUEL HEDGING AND FX UPDATE

Fuel hedging

- Hedge portfolio structured to protect against large upside movements and allow participation to downward price movements through use of call options and collars

Fuel hedge position (as at 8 Feb 2024)			
Period	Hedged volume (in barrels)	% hedged	Net compensation from hedging (USD) ³
2H 2024	3,130,000	75%	(~\$4.5 million)
1H 2025	1,670,000	40%	~\$1 million

Foreign exchange hedging

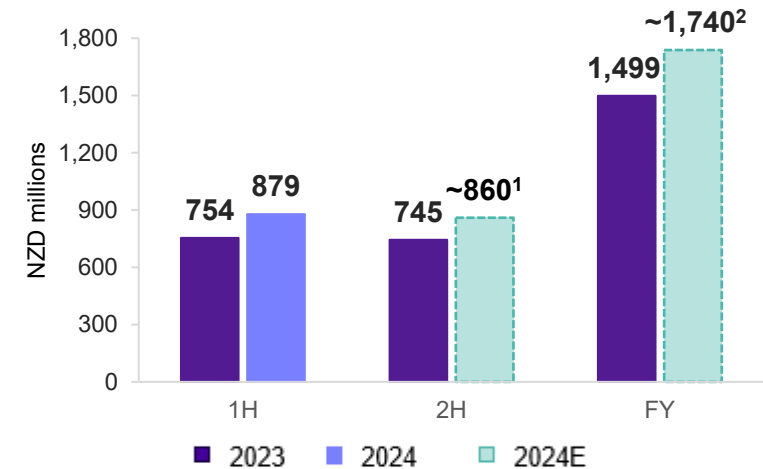
- US dollar is ~87% hedged for 2H 2024 at NZD/USD 0.6142

¹ Assumes an average jet fuel price of US\$105 per barrel for the 2H 2024 and a NZD/USD rate of 0.6100. Valuation date of 8 February 2024. Further information on fuel movements can be found in the fuel waterfall on slide 22.

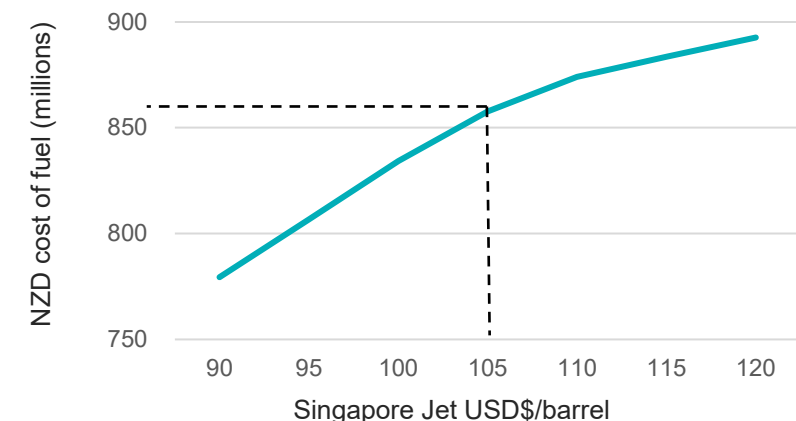
² Assumes an average jet fuel price of US\$107 per barrel for the FY2024 financial year.

³ Net compensation from fuel hedges represents the unrealised gains/(losses) on fuel hedges, including the cost of the hedges and is in USD.

2024 Fuel cost outlook



2H 2024 Fuel cost¹ sensitivity (inclusive of hedging)

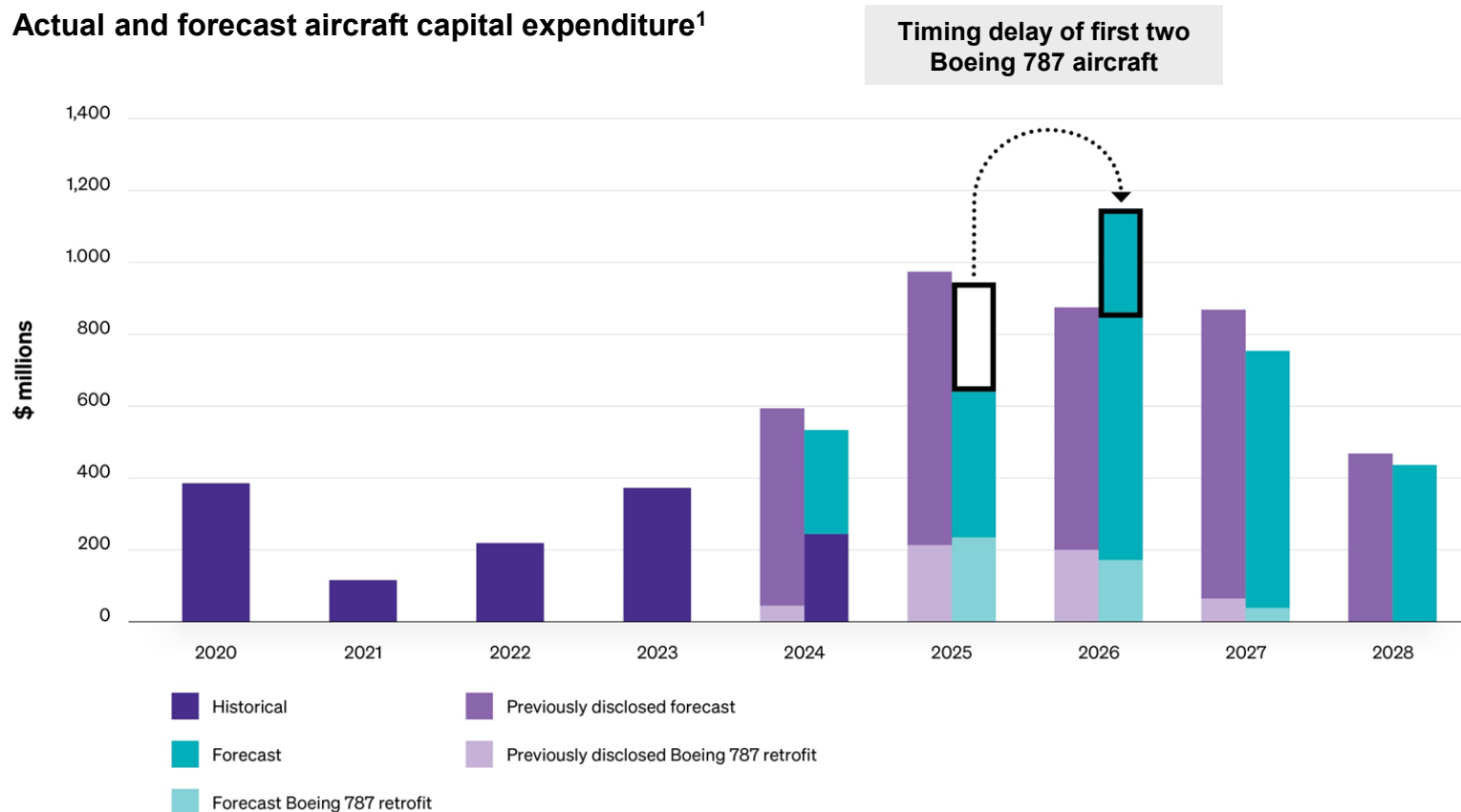




FLEET INVESTMENT UPDATE

ASSUMES FIRST TWO NEW BOEING 787'S ARE DELAYED FROM FY2025 TO FY2026

Actual and forecast aircraft capital expenditure¹



¹ Includes progress payments on aircraft and aircraft improvements (e.g. refurbishment); excludes engine maintenance. Please refer to slide 28 for fleet delivery table.

- Forecast investment of **\$3.3 billion** in aircraft and associated assets through to 2028, including 8 new Boeing 787 aircraft
 - Reflects expected deferral of first two Boeing 787 aircraft from FY2025 to FY2026
 - Final delivery profile currently under discussion with Boeing – potential for further revisions to come
 - Delivery flexibility maintained for remaining portion of the delivery stream beyond the first two aircraft
- No committed aircraft capital expenditure currently beyond 2028

OUR CAPITAL MANAGEMENT FRAMEWORK DRIVES FINANCIAL RESILIENCE AND SUSTAINABLE SHAREHOLDER VALUE



WE HAVE TAKEN DECISIVE STEPS IN 1H 2024 TO MOVE TOWARDS OUR TARGETS

Maintain financial resilience and flexibility

- Target liquidity range of \$1.2 billion to \$1.5 billion
- Net Debt to EBITDA ratio of 1.5x to 2.5x

Underpinned by our commitment to maintain investment grade credit rating metrics

Invest in core operations

- Fleet and infrastructure investments above WACC through the cycle
- Investment to support the airline's decarbonisation ambitions

Distributions

- Ordinary dividend pay-out ratio of 40% to 70% of underlying net profit after tax (NPAT)
- Return excess capital via special dividends or share buybacks

Growth capex

- Disciplined investment in value accretive capex
- Target ROIC above pre-tax WACC

- ✓ Cash purchase of domestic A321neo in Oct 2023, with a further aircraft expected in Apr 2024 which will be purchased with cash
- ✓ Moody's credit rating upgrade from Baa2 (stable) to Baa1 (stable)

- ✓ Spare PW1100 engine purchased
- ✓ First electric aircraft ordered

- ✓ ~\$200 million 2023 special dividend paid
- ✓ ~\$70 million 2024 unimputed ordinary interim dividend declared
- ✓ 2 additional ATR aircraft ordered to grow domestic network

AIR NEW ZEALAND 

Thank you

A STAR ALLIANCE MEMBER 



SUPPLEMENTARY INFORMATION





FY2024 CAPACITY OUTLOOK

Sector	2023 ASKs (millions) ¹	1H 2024 Actuals (on 1H 2023)	2H 2024 Estimate (on 2H 2023)	FY24 Estimated Capacity ²
Domestic	6,685	(1%)	+0% to 2%	~Flat
Tasman and Pacific Islands	10,237	+18%	+10% to 12%	~+15%
International long-haul	19,039	+49%	+10% to 12%	~+30%
Group	35,961	+29%	+10% to 12%	~+20%

Equates to ~93% of FY2019 capacity

¹ Includes cargo-only flights.

² Compared to FY2023 levels, including cargo-only flights.



KEY CAPITAL MANAGEMENT METRICS

\$ millions	31 Dec 2023	30 Jun 2023	Capital management targets (effective from FY2024) ¹
Gross debt	(3,047)	(3,335)	
Cash, restricted deposits and net open derivatives	2,357	2,928	
Net debt	(690)	(407)	
Gross debt/EBITDA	2.5x	2.5x	
Net debt/EBITDA	0.6x	0.3x	Net Debt to EBITDA ratio of 1.5x to 2.5x
Gearing	25.6%	16.4%	
Return on invested capital (ROIC)	Not calculated ²	22.3%	Target ROIC above pre-tax WACC
Total liquidity	2,070	2,627	Target liquidity range of \$1.2 billion to \$1.5 billion
Liquidity (% of 2019 revenue)	35.8%	45.4%	
Moody's rating	Baa1 stable (investment grade)	Baa2 stable (investment grade)	Investment grade
Shareholder distributions declared	2.0 cps unimputed interim ordinary dividend	6.0 cps special dividend	Ordinary dividend payout ratio of 40% to 70% of underlying net profit after taxation (NPAT) ³

¹ Please see slide15 for more information on the capital management framework.

² Return on invested capital not calculated (NC) at the interim results.

³ NPAT is calculated on a rolling twelve-month basis



DEBT STRUCTURE AND MATURITY PROFILE

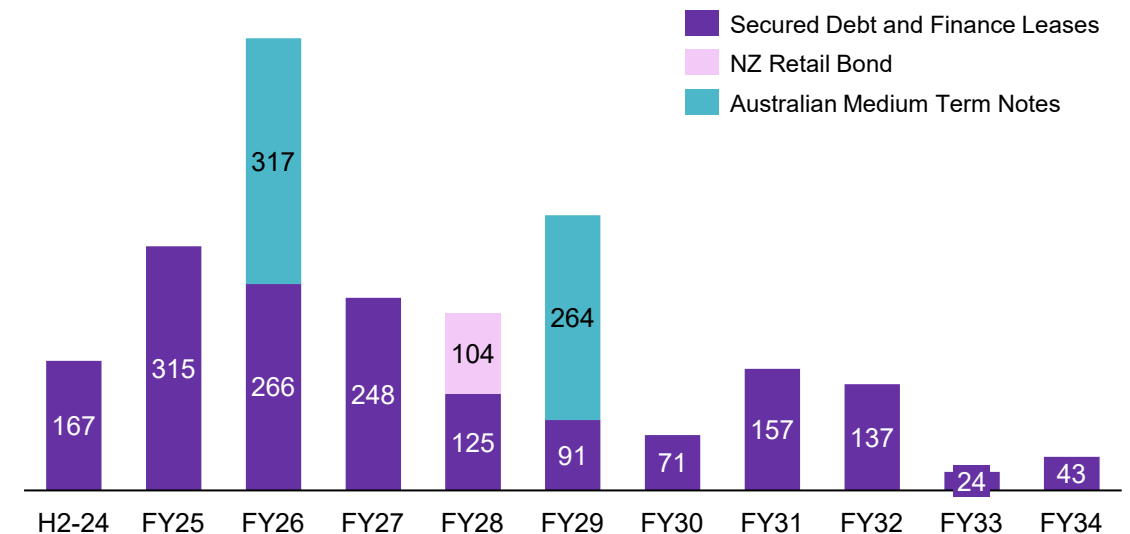
Capital structure as at 31 Dec 2023

- Gross Debt of \$3.0 billion comprising:
 - ~\$1.6 billion secured aircraft debt and finance leases¹, \$718 million operating leases¹, \$104 million unsecured NZD bond, \$581 million unsecured AUD notes
- Cash of ~\$1.7 billion, restricted deposits of \$737 million and net open derivatives of (\$50) million
- Net Debt of \$0.7 billion
- Undrawn Crown Standby Facility of \$400 million expiring 30 Jan 2026
- Weighted average debt and finance lease maturity of ~3.5 years²

Deliberate strategy to increase unencumbered aircraft portfolio

- 43 unencumbered aircraft as at Dec 2023 including 6 A320/A321neos, which will increase to 7 in 2H 2024
- Market value as at 30 Jun 2023 of ~ \$1.15 billion³
- In addition, equity of ~\$1.45 - 1.65 billion³ exists in existing aircraft within debt facilities

Debt maturity profile as at 31 Dec 2023 (\$ millions)



¹ Finance leases are lease liabilities with purchase options. Operating leases are lease liabilities without purchase options.

² Weighted average life of secured aircraft debt, finance leases and unsecured debt. Excludes operating leases.

³ Aircraft and spare engines. Aircraft valuations based on Aircraft Value Analysis Company Limited (AVAC) as at 30 June 2023. Spare engines are included at book value as at 30 Jun 2023. USD values are converted to NZD at FY2023. balance sheet rate of 0.6070. Aircraft valuations are subject to market conditions, aircraft condition, FX rates, technology advancement and other factors.

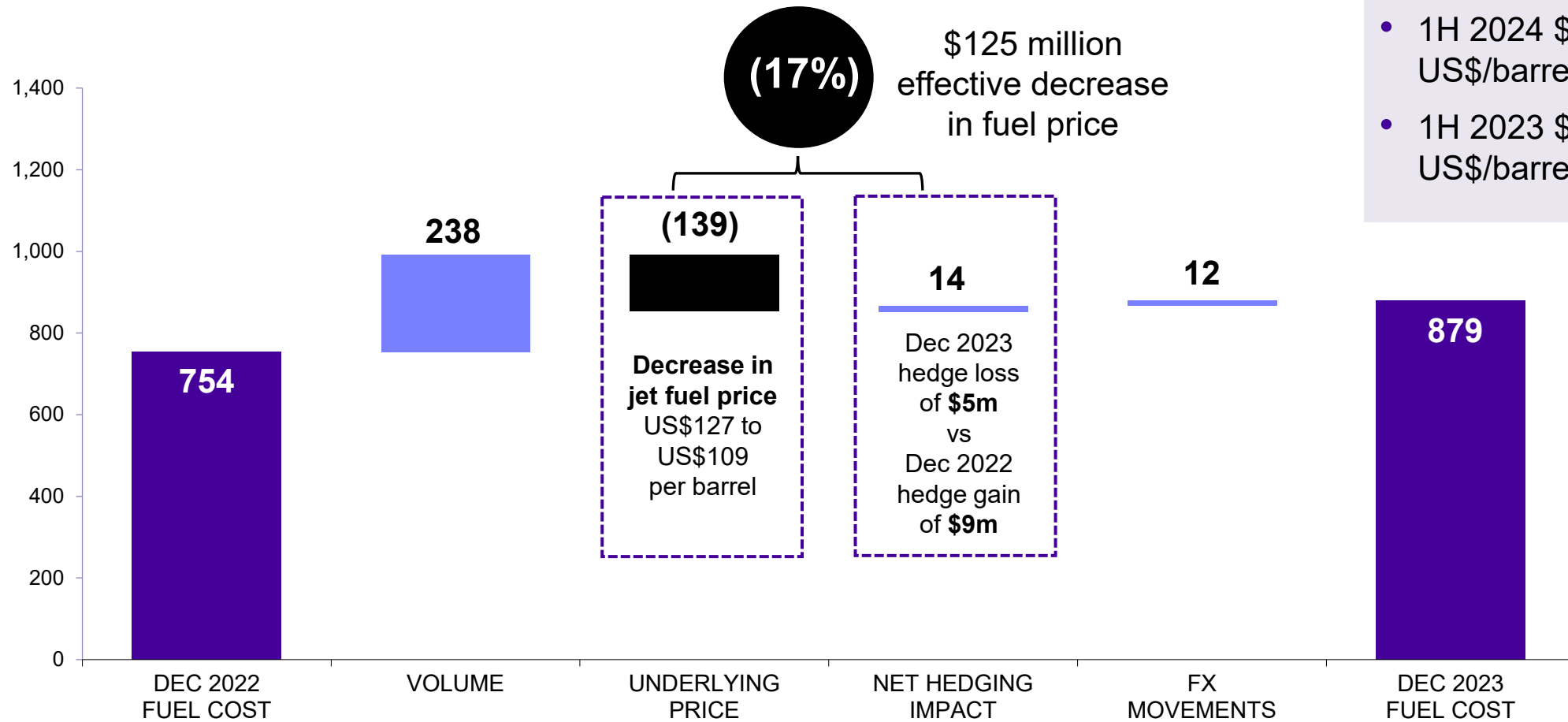
CARGO PERFORMANCE

- Cargo revenue of **\$243 million**, down 36% on prior comparative period but **up 25%** on pre-Covid levels
 - No cargo-only flying in 1H 2024
 - Prior year comparative figure includes \$83 million in Government supported cargo flights
- Cargo loads were **69%¹** for **1H 2024** compared to 80%¹ for the prior comparative period, due to a significant increase in capacity, no cargo-only flying, as well as increased international competition

¹ Load factors are based on sellable capacity.



FUEL COST MOVEMENT



Into plane costs

- 1H 2024 \$128 US\$/barrel
- 1H 2023 \$149 US\$/barrel

FINANCIAL OVERVIEW



	Dec 2023	Dec 2022	Movement
Operating revenue	3,474	3,078	13%
Earnings before taxation	185	299	(38%)
Net profit after taxation	129	213	(39%)
Operating cash flow	411	972	(58%)
Cash position*	1,670	2,227	(25%)



GROUP PERFORMANCE METRICS

	Dec 2023	Dec 2022	Movement ¹
Passengers carried ('000s)	8,352	7,952	5%
Available seat kilometres (ASKs, millions) – passenger flights	21,405	15,126	42%
Available seat kilometres (ASKs, millions) – passenger and cargo-only flights	21,405	16,576	29%
Revenue passenger kilometres (RPKs, millions)	17,467	13,241	32%
Load factor	81.6%	87.5%	(5.9 pts)
Passenger revenue per ASKs as reported (RASK, cents)	14.3	16.8	(15%)
Passenger revenue per ASKs, excluding FX (RASK, cents)	14.2	16.8	(15%)

¹ Calculation based on numbers before rounding.

DOMESTIC



	Dec 2023	Dec 2022	Movement ¹
Passengers carried ('000s)	5,460	5,679	(4%)
Available seat kilometres (ASKs, millions) – passenger flights	3,353	3,381	(1%)
Revenue passenger kilometres (RPKs, millions)	2,826	2,952	(4%)
Load factor	84.3%	87.3%	(3.0 pts)
Passenger revenue per ASKs as reported (RASK, cents)	30.1	28.9	4%
Passenger revenue per ASKs, excluding FX (RASK, cents)	30.0	28.9	4%

¹ Calculation based on numbers before rounding.

TASMAN & PACIFIC ISLANDS



	Dec 2023	Dec 2022	Movement ¹
Passengers carried ('000s)	1,902	1,677	13%
Available seat kilometres (ASKs, millions) – passenger flights	5,898	5,018	18%
Revenue passenger kilometres (RPKs, millions)	4,904	4,374	12%
Load factor	83.2%	87.2%	(4.0 pts)
Passenger revenue per ASKs as reported (RASK, cents)	13.6	15.1	(10%)
Passenger revenue per ASKs, excluding FX (RASK, cents)	13.6	15.1	(10%)

¹ Calculation based on numbers before rounding.

INTERNATIONAL LONG-HAUL



	Dec 2023	Dec 2022	Movement ¹
Passengers carried ('000s)	990	596	66%
Available seat kilometres (ASKs, millions) – passenger flights	12,154	6,727	81%
Revenue passenger kilometres (RPKs, millions)	9,737	5,915	65%
Load factor	80.1%	87.9%	(7.8 pts)
Passenger revenue per ASKs as reported (RASK, cents)	10.3	11.9	(13%)
Passenger revenue per ASKs, excluding FX (RASK, cents)	10.2	11.9	(14%)

¹ Calculation based on numbers before rounding.

AIRCRAFT DELIVERY SCHEDULE



Aircraft delivery schedule (as at 31 Dec 2023)¹

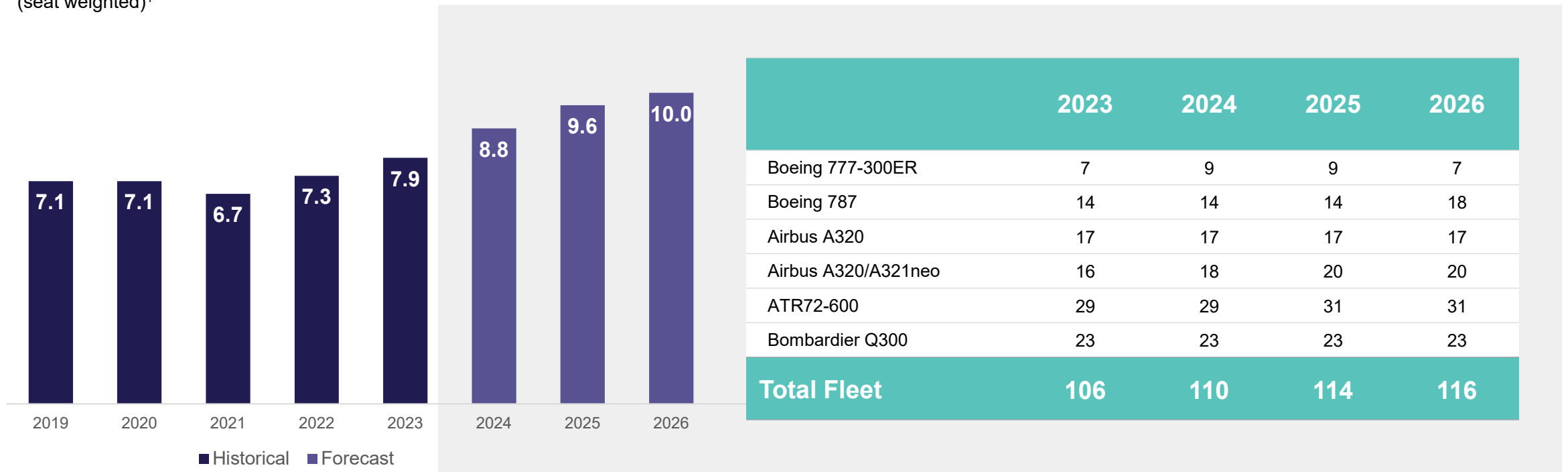
		Number in existing fleet	Number on order	Expected delivery dates (financial year)				
				2024	2025	2026	2027	2028
Owned Fleet on Order	Boeing 787	12	8	-	-	4	2	2
	Airbus A320neo / A321neo	12	3	1	-	-	2	-
	ATR 72-600	29	2	-	2	-	-	-
Operating Leased Aircraft	Boeing 777-300ER	4	1	1	-	-	-	-
	Airbus A320neo / A321neo	5	2	-	2	-	-	-

¹ Delivery table excludes the BETA ALIA CTOL, our first electric aircraft which will enter the fleet as a cargo-only commercial demonstrator from FY2026. Please refer to slide 29 for the full details of the fleet.



FLEET DELIVERY AND AGE UPDATE

Aircraft fleet age in years
(seat weighted)¹



¹ For 2021 and 2022, excludes the Boeing 777-200ER fleet. Does not include the BETA ALIA CTOL, our first electric aircraft which will enter the fleet as a cargo-only commercial demonstrator from FY2026.



GLOSSARY OF KEY TERMS

Available Seat Kilometres (ASKs)	Number of seats operated multiplied by the distance flown (capacity)
Cost/ASK (CASK)	Operating expenses divided by the total ASK for the period
Gearing	$\text{Net Debt} / (\text{Net Debt} + \text{Equity})$
Earnings before interest, tax, depreciation and amortisation (EBITDA)	Operating earnings before depreciation and amortisation, finance costs and taxation
Gross Debt	Interest-bearing liabilities and lease liabilities
Net Debt	Interest-bearing liabilities and lease liabilities less bank and short-term deposits, net open derivatives held in relation to interest-bearing liabilities and lease liabilities, and interest-bearing assets
Cash, restricted deposits and net open derivatives	Bank and short-term deposits, interest-bearing assets and net open derivatives held in relation to interest-bearing liabilities and lease liabilities
Liquidity	Cash and cash equivalents (which excludes restricted deposits) plus the outstanding amount of any Crown standby facility available to be drawn
Passenger Load Factor	RPKs as a percentage of ASKs
Passenger Revenue/ASK (RASK)	Passenger revenue for the period divided by the total ASKs on passenger flights for the period
Revenue Passenger Kilometres (RPKs)	Number of revenue passengers carried multiplied by the distance flown (demand)

The following non-GAAP measures are not audited: CASK, Gearing, Net Debt, Gross Debt, EBITDA and RASK. Amounts used within the calculations are derived from the condensed Group interim financial statements where possible. The interim financial statements are subject to review by the Group's external auditors. The non-GAAP measures are used by management and the Board of Directors to assess the underlying financial performance of the Group in order to make decisions around the allocation of resources.

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