Media Release

22 February 2024

Air New Zealand announces 2024 Interim Results

Key points

- Earnings before taxation of $185 million
- Passenger revenue of $3.1 billion driven by a significant ramp-up in capacity across the international network
- Airline is currently reviewing pricing and capacity to reflect ongoing inflation pressures
- Unimputed ordinary interim dividend of 2.0 cents per share declared
- Significant improvement in onboard experience, reliability and customer response times
- Tougher forward trading environment. Earnings before taxation for the 2024 financial year now expected to be in the range of $200 million to $240 million, including $20 million of currently assumed additional Covid-related credit breakage

Air New Zealand has today announced earnings before taxation of $185 million for the first half of the 2024 financial year. Net profit after taxation was $129 million. This is an expected reduction on the comparable period last year when the airline recorded one of its highest-ever results following the rapid return of air travel as New Zealand's borders reopened.

Based on the airline's balance sheet strength and the result announced today, Air New Zealand shareholders will receive an unimputed interim dividend of 2.0 cents per share. The dividend will be paid on 21 March, to shareholders on record as at 8 March. This equates to a payout ratio of 41 percent.

Passenger revenue of $3.1 billion was up 21 percent, driven by a significant ramp-up in capacity across the international network. Demand was stable in most markets, but signs of softness in domestic corporate and Government demand was experienced from September. Overall capacity was up 29 percent on the comparative six-month period. Operating costs, including fuel, increased 21 percent due to a substantial increase in long-haul flying this year.

Inflationary pressures also continue to be felt. Non-fuel operating costs have increased around 5 percent or $100 million due to price inflation, which is on top of an increase totalling 15 to 20 percent across the last four years. The cumulative effect of these increases is having a significant impact on the cost of providing air services, including on the domestic network, and the airline is currently reviewing fares and capacity to better reflect ongoing cost pressure.

Chair Dame Therese Walsh says the half year result represents the hard mahi of the Air New Zealand whānau, who rallied together in the face of unavoidable challenges.

"We knew this year would be tougher than the last, when pent up levels of demand and industry-wide capacity constraints drove one of the strongest financial results in our history.

"And while we have reported a solid first half result, it is against the backdrop of significant ongoing supply chain issues, particularly the additional Pratt & Whitney engine maintenance requirements on our A321neo fleet, which will see up to five of our newest and most efficient aircraft out of service at any one time across the next 18 months at least.

“On top of these operational challenges, we are now leaning into the reality of a worsening revenue and cost environment, which is expected to have a significant adverse impact on performance in the second half.

“Earlier this week the airline provided a full year profit outlook, noting among other things, a deterioration in the forward bookings profile. Intense international competition features heavily in the current environment, particularly for North America where our US competitors have not yet returned to China at scale, and for now have directed some of that additional capacity to the New Zealand market, putting pressure on yields.

“The business is pulling multiple levers to mitigate the impact of these headwinds, and this is a key focus for the team.

“Despite these short-term challenges, the airline is in a fundamentally strong position. Our balance sheet is robust, and the Board is committed to the airline’s Capital Management Framework as announced last August, including its ordinary dividend policy. Accordingly, the Board was pleased to announce a dividend of 2.0 cents per share for the first half.”

Chief Executive Officer Greg Foran says doing the basics brilliantly without ever compromising on safety has positioned the airline well to compete.

“Our on-time performance and contact centre wait times have improved. Food and beverage offerings have been enhanced. Inflight entertainment options and Wi-Fi have also been improved. An additional 400,000 people have joined our loyalty programme over the past year, lifting membership to 4.4 million. All these things, along with the manaaki shown by staff – taking care further than any other airline – have seen our customer satisfaction score return to pre-pandemic levels.

“The engine maintenance requirements for both Pratt & Whitney and Rolls Royce have seen our aircraft spend more time on the ground. While this is beyond our control, we are managing these issues with changes to our schedule and additional leased aircraft.

“Boeing has now confirmed that the first of the new 787 Dreamliners is unlikely to arrive until at least mid-2025, which will delay delivery of our innovative new Skynest. The interior retrofit of our current 787 fleet remains on track.

“To mitigate these challenges, we introduced a dry lease 777-300ER in November. A second dry lease 777-300ER will enter the fleet mid-year and we are well advanced on negotiations for a third.

“While the global aviation ecosystem remains under immense pressure, Air New Zealand is committed to providing the best experience possible to our loyal customers while we navigate these issues.”

2H 2024 Trading update

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.

Outlook

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.

Supplementary table – Interim 2024 financial highlights

	1H 2024 $M	1H 2023 $M	% Movement
Operating revenue	3,474	3,078	13%
Earnings before taxation	185	299	(38%)
Net profit after taxation	129	213	(39%)

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

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