

# Media Release

Media release  
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## Air New Zealand announces 2021 financial result as it continues to navigate Covid-19 impacts

### Financial results summary

- Operating revenue of \$2.5 billion, down 48 percent on the prior year
- Cargo revenue up 71 percent on the prior year, supported by the New Zealand and Australian Government's IAFC, MIAC and IFAM schemes (the airfreight support schemes)<sup>1</sup>
- Loss before other significant items and taxation of \$440 million<sup>2</sup>
- Loss before taxation of \$411 million
- Domestic capacity rebounded strongly as the year progressed, reaching 93 percent of pre-Covid for the three months ending July, driven by strong leisure demand and the return of corporate customers
- Latest domestic nationwide lockdown expected to negatively impact financial operating performance
- Liquidity of \$1.3 billion as at 24 August 2021, comprised of \$183 million cash and \$1.15 billion of undrawn funds on the Government standby loan facility (the Facility)
- Dividends remain suspended
- Planned capital raise deferred to first quarter of calendar year 2022

Air New Zealand has announced a loss before other significant items and taxation of \$440 million for the 2021 financial year – its first full 12-month period of operation with Covid-19 related international travel restrictions. Using the same metric, the company reported an \$87 million loss for the 2020 financial year.

Statutory losses before taxation, which include a \$29 million gain from other significant items, were \$411 million, compared to a loss of \$628 million last year.

The financial result benefited from approximately \$450 million of Government assistance including airfreight support schemes as well as further subsidies and initiatives that are not expected to be repeated to the same extent in the 2022 financial year.

Ongoing border restrictions saw operating revenue decline 48 percent to \$2.5 billion as international flying was significantly reduced, with capacity down 55 percent on the prior year, although cargo flying revenue grew by 71 percent compared to the prior year thanks to airfreight support schemes. The airline's domestic business performed strongly, led by strong leisure demand as well as corporate customers flying at close to pre-Covid levels.

Chairman Dame Therese Walsh says the 2021 financial result reflected the reality of a year in which the airline was unable to fly two-thirds of its passenger network.

"In a severely constrained environment, Air New Zealand maintained cost discipline, focusing on delivering with excellence in the areas in its control. The return of a strong domestic business and growth in the cargo services that underpin our key export markets was a reminder of the airline's crucial role in New Zealand's infrastructure," says Dame Therese.

"Air New Zealanders showed agility during constantly changing operating conditions, managing reopenings, pauses and then closures while generating new revenue from additional cargo routes and increasing domestic and regional passenger capacity to match an increased demand for domestic leisure travel."

<sup>1</sup> In March 2020 the New Zealand Government established the International Airfreight Capacity (IAFC) scheme to support aviation carriers to continue to provide capacity on key international airfreight routes. Following the success of this scheme, the Government introduced the Maintaining International Air Connectivity (MIAC) scheme to support air services through to the end of October 2021, with the potential for an extension to March 2022. The Australian Government introduced the International Freight Assistance Mechanism (IFAM) in April 2020 to keep global airlinks open to Australia and awarded the contract to Air New Zealand in August 2020. It has subsequently been extended to September 2021.

<sup>2</sup> Losses 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. Losses before other significant items and taxation is reported within the Group's audited annual financial statements. A summary of Other Significant Items is provided at the end of this release.

Dame Therese paid tribute to the continued commitment and sacrifice of the Air New Zealand team.

“To keep New Zealand connected to key markets, help Kiwis continue travelling and manage continued disruption to passengers’ travel plans, Air New Zealanders have again proven their aroha for customers. From our airport employees and flight crew who are among the most frequently tested groups in the country, to all our other operations and corporate teams across the network who have worked tirelessly behind the scenes to keep our customers and cargo moving, their efforts have been extraordinary.”

“These efforts, after 18 months of reduced pay and forfeited incentives, were recognised earlier this year when we announced eligible employees would each be provided with a \$1,000 award of shares or cash. With significant uncertainty ahead, including the current lockdown, this was important recognition of the people who give so much to our business.”

Chief Executive Officer Greg Foran said the 2021 financial year was one in which the airline played the hand it was dealt, kept planes flying every day and took some important steps in the delivery of its refreshed strategy, Kia Mau.

“Our people developed new capabilities and dexterity, adapting quickly when conditions changed. Although the return of long-haul travel seems some time away, the changes the team made this year will serve us well when it returns,” he says.

“We have reimagined our domestic business, increasing the choice of flight times and introducing greater price differentiation for peak and off-peak flying. This allows us to offer more lower priced fares, which will unlock new demand for domestic tourism.”

“We capped fares to ensure travel isn’t out of reach when it’s needed most, reintroduced the popular Fast Bag service with new features, and improved our unaccompanied minors service to make travel easier for our most valuable cargo and safer for our people.”

“We had fun with our customers, trialing new inflight food and beverage options, made changes – while retaining the much-loved cookie – and will showcase great New Zealand products in the year ahead.”

Mr Foran says the airline also took meaningful steps towards its goal of net zero emissions by 2050.

“With almost daily reminders of the impact of climate change, we are supporting the development and deployment of electric, hybrid and hydrogen aircraft for domestic use, and engaging and collaborating with others in the private sector and the Government to make sustainable aviation fuel (SAF) supply a reality in New Zealand.”

“We also made some exciting enhancements to our Airpoints™ loyalty programme, adding more store partners, improving access to upgrades and increasing the ability to share benefits among family and friends.”

“Strategic digital investments towards our goal of being ‘the world’s leading digital airline’ included equipping our turboprop aircrew with devices to replace paper-based systems, introducing a new supply chain management system and improving self-serve options for customers to use credits and manage bookings.”

Mr Foran also acknowledged the ongoing uncertainty in the airline’s operational and financial performance, including following the latest Covid-19 cases in New Zealand and subsequent lockdown.

“More than ever, this is a time to look after our people who continue to deliver those essential services, keeping cargo moving and getting Kiwis back home.”

## **Capital raise and liquidity**

As announced on 13 August 2021, Air New Zealand received a letter from the Minister of Finance outlining his view that the current environment is not sufficiently certain and stable to enable the Crown to provide a firm pre-commitment to support a planned equity raise at this time. In this context, the airline has, in consultation with the Crown, decided to further defer its planned capital raise from 30 September 2021 until the first available window in the first quarter of calendar year 2022.

Given the critical role that the airline has in New Zealand’s economy and society, the Crown has again confirmed its longstanding commitment to maintaining a majority shareholding in Air New Zealand. Subject to

Cabinet being satisfied with the terms of the airline's proposed capital raise at the relevant time, the Crown has again confirmed that it will participate in an equity capital raise by purchasing the number of new shares necessary to maintain a majority shareholding.

On completion of the recapitalisation, Air New Zealand expects to repay all amounts drawn under the Facility. The Crown has confirmed to the airline that it shares this expectation.

Until the capital raise is completed, the airline has access to sufficient liquidity under the Facility, with \$1.15 billion in remaining funds that allow it to continue operating and investing activities. Air New Zealand has drawn \$350 million on the Facility as at 25 August 2021 and expects to draw down further in the coming months.

The airline's operating cashflow for the 2021 financial year benefited from the one-off deferral of around \$254 million in Fringe Benefit Tax (FBT) and PAYE payments, which will start to be repaid in the 2022 calendar year. An additional \$60 million of FBT and PAYE is expected to be deferred in the first quarter of the 2022 financial year and repaid before 31 March 2022.

### Dividend update

The Board continues to focus on preserving Air New Zealand's liquidity, and given the ongoing uncertainty and continuing financial pressures on the airline, has determined it will not declare a final dividend for the 2021 financial year.

Air New Zealand's Board does not expect to consider payment of dividends before the airline's earnings and gearing substantially recover, and in the context of a supportive macroeconomic environment.

### Outlook for 2022

Given uncertainty surrounding the current national lockdown, ongoing international travel restrictions and uncertainty regarding the level of demand as these restrictions lift, Air New Zealand has suspended 2022 earnings guidance.

### Summary financial results

	Jun 2021 \$M	Jun 2020 \$M	Movement %
Operating revenue	2,517	4,836	(48.0%)
Loss before other significant items and taxation	(440)	(87)	(405.7%)
Other significant items	29	(541)	105.4%
Loss before taxation	(411)	(628)	34.6%
Net loss after taxation	(289)	(454)	36.3%
Operating cash flow	323	230	40.4%
Gearing	71.0%	69.2%	(1.8 pts)

**Other significant items**

Other significant items, representing a gain of \$29 million in the 2021 financial year, were made up of \$143 million of foreign exchange gains on uncovered debt and a gain of \$21 million related to the sale of Heathrow landing slots partially offset by aircraft impairment and lease modification costs of \$78 million, reorganisation costs of \$39 million and the de-designation of hedges as a result of forecast transactions no longer expected to occur of \$18 million.

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**Ends**

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