

## Media Release | 17 February 2017

# FY17 interim results: Investing in new infrastructure and capacity to improve the customer experience

Auckland Airport has today announced its financial results for the six months to 31 December 2016.

Auckland Airport Chair, Sir Henry van der Heyden, says, “The first half of the 2017 financial year saw a continuation of the very strong growth in tourism to New Zealand. In response to this growth we have continued to invest significantly in our infrastructure, technology and operations to improve both capacity and the quality of passenger journeys through Auckland Airport. We have also focused on land transport access to, from and around the airport to improve traffic flows and travel times for our customers.”

“The implementation of our 30-year vision to build the airport of the future is now well underway and we are currently investing more than \$1 million every working day on our core airport infrastructure. This investment is spread across many projects, with over 42 capital expenditure projects currently underway that are each valued at more than \$1 million.”

“This investment is essential given the substantial growth in the number of passengers and also the number of airlines servicing Auckland – the number of international airlines at Auckland Airport has increased by 50% in only 18 months. This growth is now flowing throughout New Zealand and it is important our tourism sector adjusts quickly to ensure our country can sustain the growth and maintain the quality of its tourism product. To that end we have continued to play an important sector leadership role to ensure there is sufficient capacity to allow tourism to continue to sustainably grow over the next decade.”

“Construction is well underway on Auckland Airport’s new international departure area and we will open a new and expanded security screening and processing area, as well as the first half of the new stores for our two anchor duty free operators, by the middle of this year. The remainder of the new duty free stores and the first half of the new passenger lounge will be opened by the end of December 2017 with the project due for completion by mid-2018.

Construction on the international terminal's Pier B extension is also well underway to provide additional gate lounges and airbridges to accommodate the increasing number of A380 and B787 aircraft using Auckland Airport. The first new gate lounge and airbridges – Gate 17 – will be opened prior to the 2017/18 summer peak season and the second gate lounge and airbridges – Gate 18 – will be completed by early-2018. This extension project will enable Pier B to accommodate four A380 or B787 aircraft at the same time. Alternatively, it could be used to accommodate eight smaller A320 international aircraft.”

“The strong and ongoing growth of Auckland is putting additional pressure on the city's transport infrastructure. At the same time, New Zealand's tourism industry is significantly exceeding growth forecasts made only a few years ago.”

“Given the importance of air connectivity for New Zealand's travel, trade and tourism sectors, improving land transport access to Auckland Airport must remain a priority for central and local government transport agencies. We look forward to this year's completion of the \$1.4 billion Waterview Connection and the \$146 million upgrade of the State Highway 20A/Kirkbride Road intersection – both of which should improve travel times to the airport.”

“Auckland Airport will continue to advocate for additional transport improvements, in particular an upgrade to State Highway 20B/Puhinui Road and improved public transport services. We are working closely with the New Zealand Transport Agency and Auckland Transport to advance both short and longer-term transport solutions for South Auckland and the airport precinct.”

“Auckland Airport has also fast-tracked a number of planned roading and transport upgrades on our own network.”

Already in the first half of the 2017 financial year, we have:

- upgraded the Puhinui Road roundabout to help improve the eastern access to the airport from State Highway 20B/Puhinui Road
- added 1,400 more car parks to our Park&Ride facility, mostly for use by staff working at the international terminal to remove staff traffic from the inner airport roads
- upgraded the traffic light phasing and lane configurations at the airport's George Bolt Memorial Drive and Tom Pearce Drive intersection to improve traffic flows
- updated the lane configurations at the airport's George Bolt Memorial Drive and Laurence Stevens Drive roundabout to improve traffic flows
- developed new traffic management plans for use when the airport roading network is particularly busy.

“Looking ahead, Auckland Airport has an ongoing programme to upgrade both its aeronautical and transport infrastructure and is currently consulting with its airline partners on that programme and the setting of aeronautical prices for the 2018–2022 financial years. This process is well underway and we will be announcing the revised pricing and infrastructure programme in the middle of this year once the consultation process has been completed.”

In the six months to 31 December 2016 the total number of passengers using our airport increased by 12.4% to 9.4 million. Domestic passengers were up 11.7% to 4.3 million, international passengers (excluding transit passengers) were up 11.9% to 4.8 million and international transit passengers were up 28.6% to 353,978.

Revenue was up 10.8% to \$310.9 million, while expenses were up 11.8% to \$75 million. Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) increased 10.5% to \$235.9 million. Total profit after tax was up 22.5% to \$141.8 million, while underlying profit was up 18.6% to \$123.5 million. As a result, our underlying earnings per share is up 18.6% to 10.4 cents and our interim dividend for the 2017 financial year is up 17.6% to 10 cents per share.

“Revenue growth was, in part, due to ongoing strong growth in aeronautical and investment property revenues, while the increase in expenses was, in part due to new airline and route marketing, operational resources and asset management and maintenance.”

Our total share of the underlying profit from associates was \$7.6 million for the first six months of the 2017 financial year, up 11.8%. The underlying profit share from Queenstown Airport remained at \$1.5 million and the share from the Novotel hotel, in which we increased our shareholding to 50% after balance date, was up 25% to \$1 million. Our underlying profit share from North Queensland Airports was up 13.3% to \$5.1 million.

“Auckland Airport has a long-term growth strategy and in the first six months of the 2017 financial year we commenced a review of our 24.55% investment in North Queensland Airports. While we believe North Queensland Airports is a highly attractive asset, the review will ensure that our asset portfolio continues to match our strategic objectives.”

The interim dividend for the six months to 31 December 2016 is imputed at the company tax rate of 28% and will be paid on 4 April 2017 to shareholders who are on the register at the close of business on 21 March 2017. “The Board has also elected to reinstate our dividend reinvestment plan to provide funding flexibility to support our investment in new infrastructure and growth opportunities,” says Sir Henry.

“Reflecting the overall investment in infrastructure spend this financial year, we are lifting our capital expenditure guidance for the 2017 financial year to between \$370 million and \$400 million. At the beginning of the 2017 financial year, we outlined our expectation that net profit after tax (excluding any fair value changes and other one-off items) would be between \$230 million and \$240 million. In consideration of our financial performance in the first half of the 2017 financial year, Auckland Airport is now tightening its guidance for the full year to be between \$235 million and \$243 million, which would deliver an increase in underlying earnings per share of between 10.5% and 14.2% compared with 2016.”

“This updated guidance is subject to any material adverse events, significant one-off expenses, non-cash fair value changes to property, and deterioration as a result of global market conditions or other unforeseeable circumstances,” says Sir Henry.

## **Ends**

For further information, please contact:

### **Investors:**

Suzannah Steele

+64 9 257 7043

+64 27 203 2822

[suzannah.steele@aucklandairport.co.nz](mailto:suzannah.steele@aucklandairport.co.nz)

### **Media:**

Simon Lambourne

+64 9 255 9089

+64 27 477 6120

[simon.lambourne@aucklandairport.co.nz](mailto:simon.lambourne@aucklandairport.co.nz)