



Queenstown Airport Corporation Chair, Adrienne Young-Cooper and CEO Glen Sowry Shareholder Briefing Speeches

Chair, Adrienne Young-Cooper

Kia Ora Tatou,

Ko Adrienne Young-Cooper toku ingoa.

Welcome to the Queenstown Airport Corporation AGM 2021 reporting to you on the July 2020 – June 2021 financial year.

I'd like to begin by welcoming and acknowledging the representatives of our two shareholders. From QLDC Mayor Jim Boulton, and we've also got Councillors and Community Board Members; Craig Ferguson, Glynn Lewers, Niamh Shaw, Heath Copland, and Barry Bruce and we've also got Chief Executive Mike Theelan.

We've got QAC Board members; Anne Urlwin, Andrew Blair, Mark Thompson, Mike Tod, and Simon Flood.

And welcome to Adrian Littlewood, CEO of Auckland Airport joining us today via video link.

I'm delighted to introduce Glen Sowry, Queenstown Airport's new CEO who joined us in early September. The board is very pleased to have recruited Glen to this important role.

Glen has extensive experience as a CEO in both the public and private sectors and before that as a senior executive at Air New Zealand. Glen's aviation and property experience is particularly relevant to the opportunities and challenges of running one of the most beautiful airports on our precious planet. Welcome Glen.

Today, we are going to present an overview of the company's priorities and results over FY21 and then take a look forward.

This time last year we knew Covid was a huge challenge and opportunity for reset. Twelve months on we have committed to a fundamental review of our strategic direction in dramatically changed circumstances and will ensure a higher level of stakeholder engagement in the future direction of the company.

The Board and Management are very focused on setting a clear direction for this vital community asset.

As we reflect on the past year, I'd like to begin by acknowledging the contribution of former Chief Executive Colin Keel, who resigned during the reporting period. Colin served as Chief Executive of QAC for five years and played a pivotal role in stabilising the business over the past 18 months. The board joins me in thanking him for his service and significant contribution to the company.

I'd also like to acknowledge Michael Stiasny and Norm Thomson, who retired from the board of directors in October 2020 for their service and valuable contributions to QAC over a dynamic six-year period.

Before Glen started in the role, Deputy Chair Simon Flood stepped in as Managing Director from 1 July. My thanks to Simon for ensuring the smooth transition between CEOs and for his leadership during that time.

I'd also like to acknowledge and thank the senior leadership team for their efforts and dedication over this tumultuous period, in particular the General Manager, Operations and Safety, Mike Clay who will be leaving Queenstown Airport just before Christmas after six years with us. We will talk a bit later about our outstanding safety record and operational performance, but this is testament to Mike's leadership and talent. Thank you, Mike. You will be missed.

In October 2020, QLDC announced the appointment of directors, Andrew Blair, Anne Urlwin and Mike Tod to the QAC board. Along with Simon Flood and Mark Thompson, together we have benefited from the valuable contributions of directors around the board table through this challenging year. I look forward to continuing to work together.

Due to the significant impact of COVID-19 on the company, it was unfortunately necessary to undertake an organisational restructure which was completed during the financial year. This was a tough time for our people, and I would like to acknowledge those who left the airport company during this time and thank them for their contribution to QAC.

COVID-19 has had a considerable effect on the aviation and tourism industries in the Queenstown Lakes District, and around the world.

I would like to acknowledge the General Aviation and retail operators at both Queenstown and Wānaka airports, many of whom have had an especially tough time because of the massive and sustained drop in tourism.

In this context our priorities for FY21 were to stabilise the business in the complex and uncertain operating climate created by COVID-19 and the associated government response; to safeguard the company's core capability to operate vital airport infrastructure in the Southern Lakes region; and prudent and very cautious operational and capital planning.

The company's results reflect the significantly changed operating climate. The ability to make decisions quickly and with agility was, and continues, to be required.

In FY21 there were 1.33 million passenger movements, down 29% compared to FY20, and 42% down compared to FY19. It was our first full Covid year. While domestic passenger movements at ZQN were up 2%, international passenger movements were down 96%.

Queenstown and the Southern Lakes region continue to be a highly attractive destination but with international borders effectively closed to tourism a big part of our business simply does not exist until the free flow of international travel recommences.

There was a significant drop in revenue – down 40% to \$27.8 million from \$46.7 million. EBITDA was down 45% from \$31.3 million to \$17.1 million.

The company's reported Net Profit After Tax was down 91% to \$1.6 million from \$18.0 million last year. Importantly however, we required no equity contribution from our shareholders, and maintain significant financial headroom and were able to deliver profit after tax.

Unfortunately, due to the continuing impact of COVID-19 no dividend to shareholders was declared for FY21. We certainly plan to be able to resume dividend payments as soon as business conditions allow.

Domestic travel was strong throughout the reporting period with minimal COVID-19 travel restrictions in place. The short-lived reopening of the trans-Tasman border was a welcome step towards recovery, but the vulnerability of the 'bubble' since the emergence of the highly contagious COVID-19 Delta variant, further reinforces the highly uncertain environment we continue to operate in.

It's now been 17 weeks since trans-Tasman travel was effectively suspended and 10 weeks without Auckland flights. On the domestic front Auckland contributes over 60% of our passenger volume.

While there is much conjecture, we hope Auckland flights will return in time for Christmas. However, we aren't expecting trans-Tasman flights to operate to and from Queenstown until at least April 2022.

We are of course prepared for an earlier restart of Tasman flights and will welcome them as soon as the government decides the risks are acceptable.

Ensuring both the operational and financial resilience of the assets that we have stewardship of is vitally important to shareholders and the wider Southern Lakes regional community. Whilst COVID-19 has changed the way the world moves and connects, we have been able to navigate through and stabilise the business by working constructively together with the airlines and the wider airport community.

Our priority has been the resilience and recovery of the whole airport community. To achieve this, we have and continue to offer targeted relief packages, which were valued at \$6.7m in FY20 & FY21. That support is ongoing as we plan for recovery together.

The reopening of Auckland and the trans-Tasman is critical to a sustainable recovery.

The financial impact of a significant loss in aeronautical revenue extends to our commercial revenue as well. 95% of Queenstown Airport's total revenue is linked to domestic & international passengers.

Ground transport revenue was down 23%. Terminal revenue was down 40% and commercial property revenue was down by 10%.

A key element of our forward focus will be on the diversification of revenue sources not directly related to passenger numbers from scheduled air services.

Moving now to our banking arrangements. QAC remains compliant with its bank covenants. During the reporting period QAC successfully lengthened the terms of its banking facilities.

Term debt was \$82 million (25% of net assets), an increase of \$13 million. The movement in term debt was primarily a result of the \$18.3 million payment for the acquisition of the 'Lot 6' land adjacent to the main runway.

QAC is grateful to its banking syndicate for their ongoing support.

During the reporting period, we shifted from a long-term lease agreement with QLDC over Wānaka Airport to a management services arrangement, under which we have the responsibility for day-to-day operations. QAC is not responsible for the long-term planning and investment for Wānaka Airport under this agreement.

Prior to the setting aside of the lease by the High Court, Wānaka Airport accounted for about 2% of QAC's total revenue. Since the Wānaka Airport lease was set aside on 21 April 2021, an amount receivable from QLDC of \$14.8m has been recognised. This was primarily reimbursement of the pre-paid lease that QAC paid to QLDC in 2018.

QAC is continuing to work with QLDC and the Wānaka Airport tenants on a smooth transition from the lease agreement to a management services agreement.

Before I hand over to Glen, I would just like to acknowledge outgoing Chief Executive Adrian Littlewood from our minority shareholder. Adrian has made the people, knowledge and considerable resources from Auckland International Airport available to QAC without charge on many occasions. He has been a steadfast supporter of QAC and the Southern Lakes region throughout his tenor. You'll be missed Adrian.

Thank you. I'll now hand over to Glen.

CEO, Glen Sowry

Kia ora,

Thank you, Adrienne. It's good to be with you all. Today marks the end of my seventh week at Queenstown Airport, and it is great to be back in the aviation sector. On my first day as CEO of the airport there was not a single commercial flight, and it's certainly been good to see some starting to come back.

Of course, the key to us reconnecting nationally and globally as we move from an elimination approach, which served us well until the delta variant emerged, is a suppression and a living with COVID approach.

I'm fortunate to have inherited a great group of people in the team at QAC. Together, we are focused on maintaining world class operational performance and health and safety standards.

My approach to leadership is focused on open engagement with the communities we serve, our shareholders and with our customer and supplier base.

Our business objectives for the current financial year include achieving the Statement of Intent objectives and associated targets, and the completion of the company's ten-year strategic business plan, which includes our sustainability strategy.

I'm focused on working with the board and the entire QAC team on the strategic reset Adrienne referred to earlier.

The last few months have shown us that COVID-19 is not going away any time soon, so ensuring the continued stable financial performance of the company and safeguarding the company's core capability

and capacity to operate vital, and lifeline airport infrastructure is critical, as is supporting the recovery of the district.

Health, safety and security is our highest priority. QAC has a safety-first culture and a Zero Harm target through a safe operating environment and a 'just culture'. I'm delighted to say there has not been an employee or contractor Lost Time Injury for more than six years. That's quite an extraordinary achievement and one that we can all be proud of.

There have also been Zero Cyber security breaches. Cyber security is increasingly important in the digital world we live in and QAC is committed to vigilance in this area.

We are continuing to work closely with business, other airports, partner airlines and government agencies on the national pandemic response. Our priority is the health of our people and the community. To achieve this our health and hygiene protocols are regularly reviewed.

QAC took responsibility for a COVID-19 vaccination push across the airport community from April. This resulted in very high vaccination rates across the airport community.

In recent weeks I worked alongside 24 business leaders in New Zealand with a great initiative that Adrian at Auckland Airport led. We successfully lobbied Government to fast-track permission to import rapid antigen tests to New Zealand.

This will allow rapid surveillance testing to get underway in New Zealand, providing an additional layer of health protection for employees and helping to ensure continuity at the airport.

Alongside vaccination, efficient and accessible testing is key to ensuring we get our economy moving and reconnected with the world, while keeping people safe.

By participating in this coalition we will have testing kits available from next week for use with our staff at the airport.

Construction for our Terminal Upgrade Programme kicked off in April this year.

The project will achieve several things, including seismic strengthening, which we have made an ongoing commitment to as a Civil Defence Lifeline utility.

The departures processing area is an area of the airport that has needed attention for some time. It will be noticeably larger, featuring new and improved Aviation Security technology, including screening lanes and body scanners; expanded passenger screening area queue space and an improved customer experience; a new Customs area, and a new Duty-Free Departures store, including a new 'Art of Living' concept where we will have the opportunity to showcase the very best of the district for our international passengers; and a new, more energy-efficient heating, cooling and ventilation system.

The total investment in these significant upgrades to the terminal is close to \$8 million.

Our goal as we embed our sustainability strategy is that, like health, safety and security, sustainability is 'what we do'. We are aligned to QLDC's Vision Beyond 2050 goal that *'our district is a place where our quality of life is enhanced by growth through innovation and thoughtful management'*.

We also have a focus on wellbeing and investing in developing our people to ensure that we are an employer of choice. This is always important but given the stresses and challenges that our people are experiencing now and have faced over the past 18 months, it is especially so.

I'm pleased to confirm that we've maintained our Living Wage Aotearoa accreditation, which extends beyond QAC employees to our contracted cleaning & security providers.

Responding to Climate Change and understanding the risks to our business is incredibly important. Work is underway to measure and reduce the environmental impact of QAC's business activities.

We achieved Toitū CarbonReduce certification in FY21, with three years' data now audited and certified. Energy, waste, and transport are our priorities because of their contributions to our emissions.

QAC's net Greenhouse Gas emissions have decreased, down 31% on the 2019 base year. We are committed to the goal of setting science-based targets and achieving carbon neutrality by 2050, or earlier. We will report our targets and progress annually from FY22.

As you can see from this slide, QAC is heavily involved in supporting a wide range of community organisations.

We're committed to the wellbeing of our staff and local communities through initiatives that enhance social, cultural, environmental and economic wellbeing in the district.

I'd like to highlight Queenstown Airport's ongoing support for Coastguard Queenstown. This is a legacy partnership which has been in place since 2011. QAC contributes \$30,000 per year to Coastguard's Queenstown branch.

We're also very proud of our long-term partnership with the Whakatipu Reforestation Trust and supporting the vital work they do, not only on biodiversity and regeneration, but in bringing people together for planting days.

We've also continued our partnership with the Wakatipu High School Foundation, supporting the Awhi Fund to ensure equity of access to the school's all-round education.

We're prioritising the noise mitigation programme following a pause due to COVID-19. Depending on the property, mitigation can include the installation of mechanical ventilation, as well as acoustic treatments.

We will offer and complete mitigation on homes to meet our obligations in the mid noise sector and we will also proactively complete mitigation works on homes within the inner noise sector.

We will continue to focus on reviewing and investing in noise mitigation solutions and technology where practical.

Looking forward, I'm committed to the 'reset' Adrienne and I have already spoken about today and to taking the time to listen and understand the wants and needs of our diverse group of stakeholders as we commence our strategic 10-year planning work.

An important part of that work is understanding the capacity that exists within Queenstown Airport and how we best deliver results and returns to our shareholders and community, whilst preserving balance.

We are on the road to recovery and this graph gives an indication of the shape of that recovery, in terms of forecast passenger movements.

Our district's important work on regenerative tourism and 'building back better' will also play a key role in recovery.

Key to the reopening of our border and reconnecting with the world is the achievement across the country of high vaccination rates.

As we've already talked about today, it is vaccination along with other layers of protection, that will enable us to recover to 'living with COVID'. I commend both Air New Zealand and Qantas Group on the vaccine mandates for international travel that they have introduced and expect that this might also follow for domestic air travel. I suggest we are likely to hear more about that from the Prime Minister today.

The regulatory environment that we operate within is changing. The most significant rewrite of the Civil Aviation Bill, which is the overarching legislation governing New Zealand's civil aviation sector, in 30 years is underway.

The Government has also announced its intention to repeal and replace the Resource Management Act.

We are facing increased border charges which will affect the cost of air travel. Some increases are now confirmed, and some are being considered. As an example, Customs and MPI have confirmed a 117% increase in their charges.

An increase to the International Visitor Levy could be another disincentive for international visitors to travel to New Zealand if it is progressed. The Government is currently considering a significant increase to the IVL in the range of \$100-\$200 per person, compared to the current \$35. Australian travellers are currently exempt, and we hope that will remain the case in the future.

We have an exciting opportunity given the pace at which technology advances are being developed and introduced. The increasing digitisation of travel will enable us to deliver an airport experience for passengers, the airlines and businesses operating here on par with the best in the world. Mitigating the carbon impact of air travel is also critical to this future vision.

As I said, I've been in the role for seven weeks now and I have observed in that short time the strength of our airport community and the Queenstown Lakes district.

I know that many people have gone the extra mile to make a difference and I would like to acknowledge the support and efforts of the QAC board, the wider team, our shareholders, and the Queenstown and Wānaka airport communities, and of course the residents and businesses of the district.

There will continue to be significant challenges and disruptions in the year ahead. Of that we can be certain. On behalf of the board and the QAC team, we commit to working in close collaboration with

our shareholders, stakeholders, and the community to forge a path to recovery of the district balancing social, environmental, cultural, and economic wellbeing.

I'd like to thank you on a personal level for your warm welcome to the district and as I take on this exciting new role at Queenstown Airport and I look forward to working with you all very closely in the years to come.

Thank you.