

Stock exchange listings: New Zealand (NZX: AIR) / Australia (ASX: AIZ) / ADR (OTC: ANZLY)

MARKET ANNOUNCEMENT

26 September 2023

Air New Zealand 2023 Annual Shareholders' Meeting Materials

Please find attached to this announcement the Chairman and CEO address, in addition to the presentation for Air New Zealand's 2023 Annual Shareholders' Meeting which will be held today at 2pm.

There is no new material information contained within the speeches or the presentation.

Information on meeting participation is included in the Notice of Meeting. Shareholders attending online will be able to access the meeting link and Portal Guide from the Company's website, <https://www.airnewzealand.co.nz/annual-meeting>.

Ends.

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2023

ANNUAL SHAREHOLDER MEETING

26 September 2023

A STAR ALLIANCE MEMBER 

NZX: **AIR** | ASX: **AIZ** | US OTC: **ANZFY**



OUR BOARD OF DIRECTORS



Dame Therese Walsh



Claudia Batten



Dean Bracewell



Laurissa Cooney



Larry De Shon



Alison Gerry




Paul Goulter



Jonathan Mason

ONLINE ASSISTANCE







HELP NUMBER
0800 200 220

Ask a Question

Get a Voting Card


Exit Meeting 




Help Number

Voting Card

Question Box





Get a Voting Card



Ask a Question

Downloads

 Notice of Meeting

 Annual Report



ORDER OF MEETING

- Chair's address
- CEO's address
- Questions on 2023 performance
- Resolutions and voting
- General Q&A session

CHAIR'S ADDRESS



Dame Therese Walsh

CHAIR



A STRONG 2023 RESULT

DELIVERED IN THE CONTEXT OF AN EXTRAORDINARY OPERATING ENVIRONMENT



Operating revenue of

\$6.3
billion

Earnings before taxation of

\$574
million

Fully imputed special dividend of

6.0
cents per share

KEY HIGHLIGHTS OF OUR RECOVERY YEAR



WITH MUCH TO BE PROUD OF BEYOND THE STRONG FINANCIAL RESULT

3k people

Welcomed to the Air New Zealand whānau

#1

Employer of the year²

Skynest

Top Cabin Concept winner³

16

Collective agreements settled with the unions

3 new A321's

Welcomed to the Domestic network

\$200m

Returned to shareholders

#1

Corporate reputation for ninth consecutive year¹

Lifted wages

Of our frontline staff

Launched

Mission Next Gen Aircraft

¹ Kantar Corporate Reputation Index 2023

² Ranstad 2023

³ Top Cabin Concept 2023 at the Crystal Cabin Awards

DECARBONISATION REMAINS OUR BIGGEST CHALLENGE



BUT WE ARE LEANING INTO THIS AND HAVE SET AMBITIOUS TARGETS

Levers we control



**Operational
efficiency**



**Continued
fleet renewal**

Levers that rely on collaboration with industry and policy makers



SAF



**Next
generation
aircraft**



**Carbon
removal
solutions**



REVISED CAPITAL MANAGEMENT FRAMEWORK

EFFECTIVE FROM FY24, WITH PRUDENT MANAGEMENT BACK TOWARD TARGET RANGES

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



UPDATED COMMENTARY ON FY24 OUTLOOK

- The airline notes that the 2023 financial year was particularly unique with significant customer demand, constrained market capacity and lower fuel prices in the second half, and as such, we believe the 2024 financial year will be more reflective of future financial performance.
- Looking ahead to the first half of the 2024 financial year, customer demand remains solid across most of our markets, noting that in recent weeks we have seen softening in corporate and domestic demand. We are mindful of the uncertain economic environment however and acknowledge there are a number of factors that may impact future customer demand and profitability. These factors include increased international competition, volatile fuel prices, a weaker New Zealand dollar, ongoing wage inflation and increased airport charges.
- Since the annual result reported on 24 August, the airline also notes a further adverse impact on its cost base from fuel prices and the weaker New Zealand dollar. These factors, alongside passenger demand and the previously disclosed Pratt & Whitney global engine issues will continue to be closely monitored.
- Given the ongoing uncertainty and volatility of these macroeconomic factors, the airline will not be providing guidance at this time.

CEO'S ADDRESS



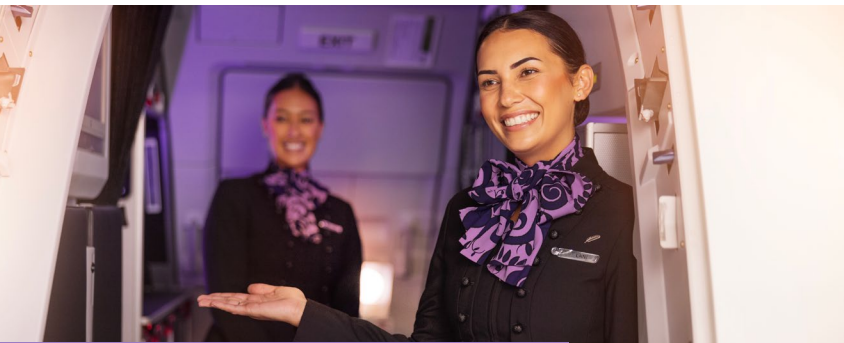
Greg Foran

CEO



DRIVING VALUE FOR ALL STAKEHOLDERS

BALANCING VARIOUS INTERESTS OVER TIME TO ACHIEVE OUR FULL POTENTIAL



Our People



Our Shareholders



Our Customers



Our Suppliers

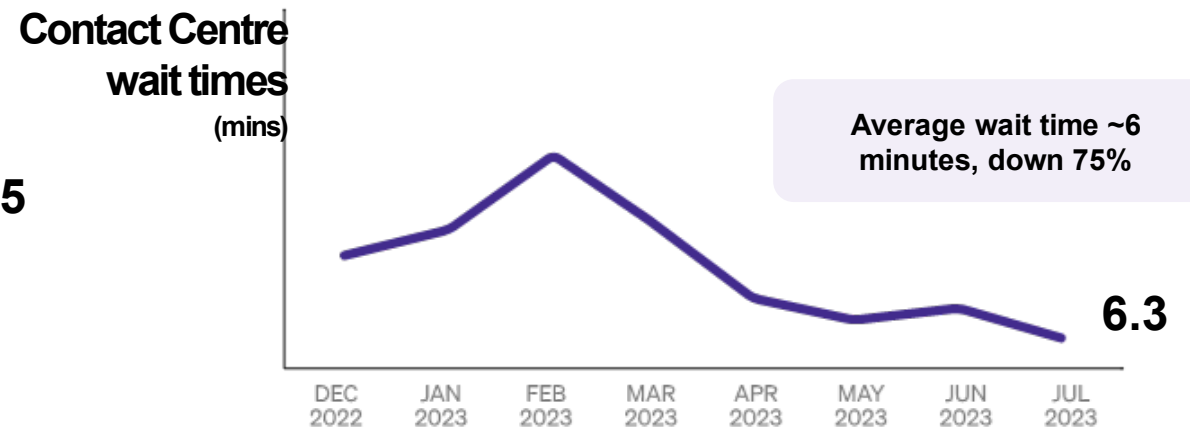
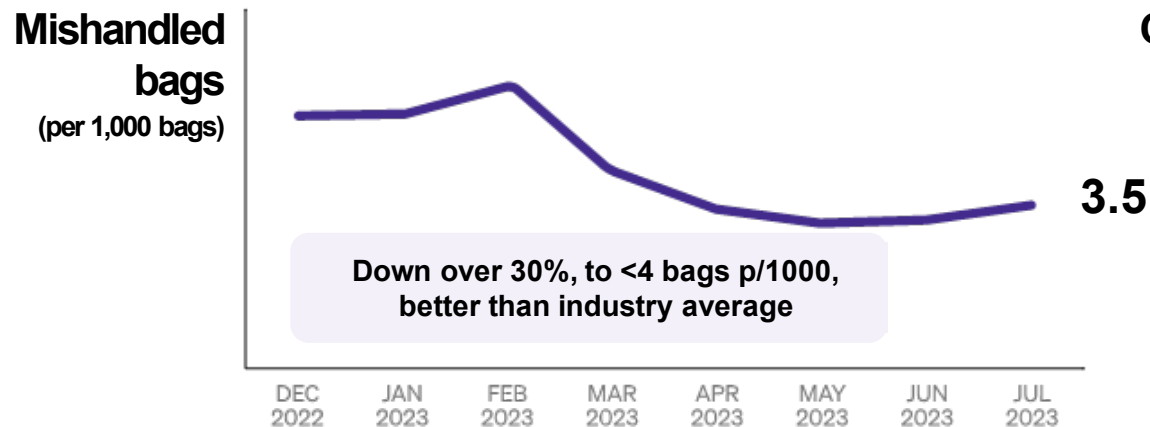
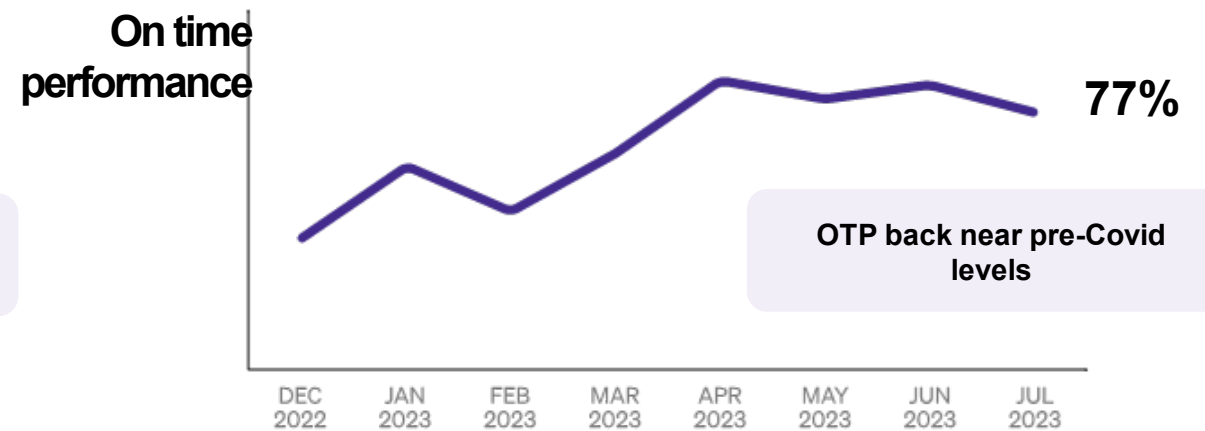
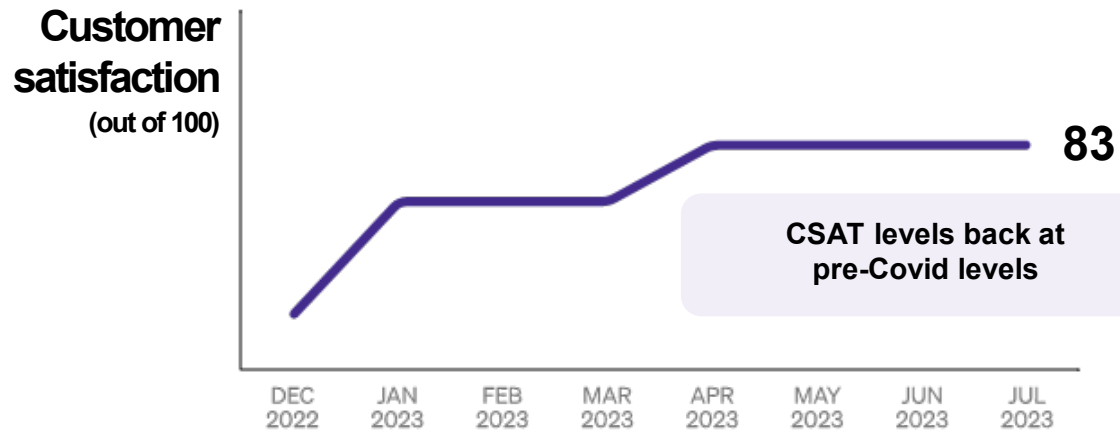


Our Communities

EASING CUSTOMER PAIN POINTS HAS BEEN A KEY PRIORITY



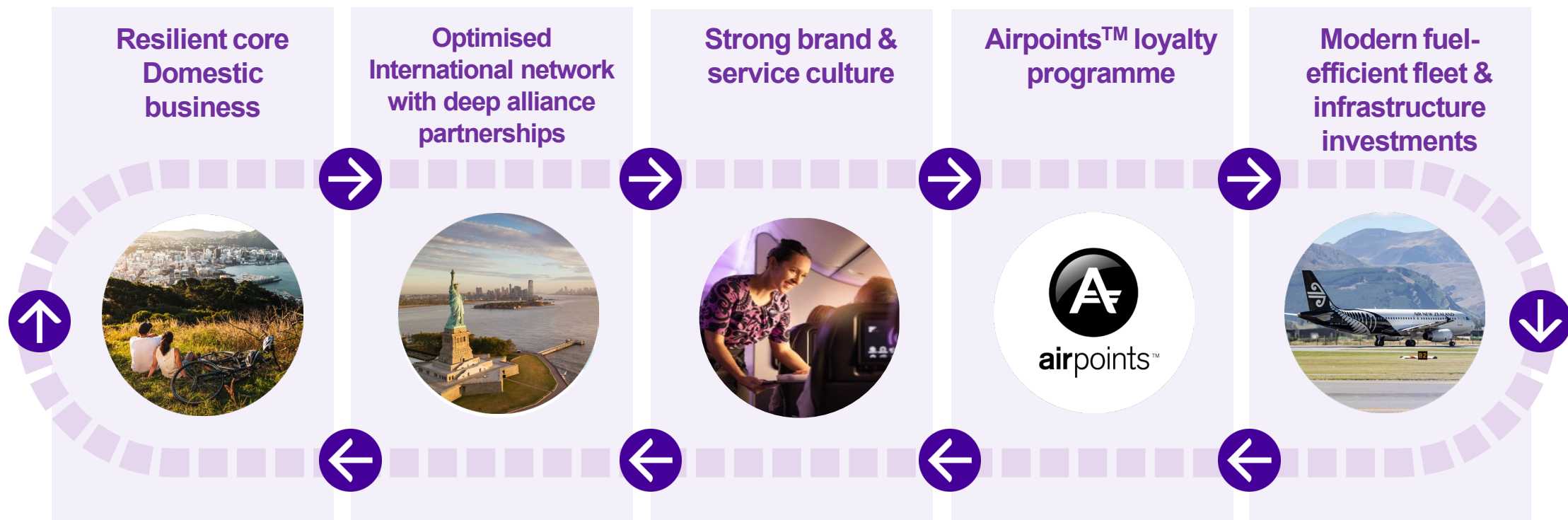
AND WE HAVE TAKEN MULTIPLE ACTIONS TO ADDRESS THESE CHALLENGES



SUSTAINING PERFORMANCE IN THE FACE OF HEADWINDS



OUR COMPETITIVE ADVANTAGES POSITION US WELL TO FACE VARIOUS CHALLENGES



OUR STRATEGIC ROADMAP CONTINUES TO GUIDE US



Profit drivers



Grow domestic

Profitably grow and enhance our iconic domestic offering, providing New Zealanders with even more choice as the best-connected country in the world



Optimise international

Connecting New Zealanders and our exports to the world through an optimal international network and premium leisure product



Lift loyalty

Increase products and benefits members value from our Airpoints™ programme, supercharging the loyalty ecosystem for the airline

Enabled by strong culture and focused investment

Brilliant Basics

Operational excellence that provides a seamless travel experience for our customers – do it right, first time, every time

Serious about Sustainability

Committed to meaningful action to reduce our carbon impact

Digital Dexterity

Technology focused on delivering a world-class experience for our people and customers while driving efficiencies

Prioritising People & Safety

Putting people, health and safety first



QUESTIONS ON FY23 PERFORMANCE





RESOLUTIONS FOR VOTING

- Resolution 1: To re-elect Dean Bracewell
- Resolution 2: To re-elect Laurissa Cooney
- Resolution 3: To re-elect Larry De Shon

RESOLUTION 1

TO RE-ELECT

Dean Bracewell

DIRECTOR



RESOLUTION 2

TO RE-ELECT

Laurissa Cooney

DIRECTOR



RESOLUTION 3

TO RE-ELECT

Larry De Shon

DIRECTOR



GENERAL QUESTIONS





Thank you

A STAR ALLIANCE MEMBER 

AIR NEW ZEALAND 

A STAR ALLIANCE MEMBER 

ANNUAL SHAREHOLDERS' MEETING

TUESDAY 26 SEPTEMBER 2023

CHAIRMAN'S ADDRESS

Tēnā koutou katoa.

The 2023 financial year began as borders were still reopening and many of our international widebody aircraft remained stored in the desert. Fast forward twelve months to the end of our financial year in June, and the airline had restored around 80 percent of its pre-Covid capacity, re-opened all international ports and returned to profitability.

The financial result we announced a little over a month ago, with operating revenue of \$6.3 billion and statutory earnings before taxation of \$574 million, was delivered in the context of what can only be described as an extraordinary operating environment.

Since New Zealand's borders reopened, the level of demand we have seen both here at home and on our international network has been much stronger than even our most optimistic forecast anticipated when we recapitalised the business. Those levels of demand persisted throughout the financial year.

That strong demand environment coincided with a perfect storm of supply constraints across the whole aviation ecosystem – from a tight labour market and increased levels of sickness, to delays in the supply of new aircraft and spare parts. The pressures of ramping up quickly have been felt in almost every facet of our operation, and it has been the same for all airlines globally.

Combine these dynamics with inflationary pressures that have seen cost increases of around 15 to 20 percent across key areas of our business, and you quickly arrive at the environment we see today, both here in New Zealand and across the global aviation sector - tight supply and high-cost inflation driving higher prices for customers and at times a clunky experience.

We know in a tight supply, high demand environment, there is a fine balance to tread between offering affordable fares and making sure there are seats available for those customers that need to travel last minute. Aotearoa New Zealand is our home market, a market we care deeply about, and we have worked hard to tread this balance carefully, putting as many aircraft and seats in the air as we could to help alleviate prices.

We are pleased with the result Air New Zealand has delivered, and of the value we have created for our shareholders. After three years of pandemic related losses, it felt good to return to profitability. This has allowed us to announce a special dividend of 6.0 cents per share, returning more than \$200 million dollars to our shareholders, as well as make strategic investments in the airline's future.

Reflecting on the past three years, I feel proud that despite the challenges, Air New Zealand kept its eyes firmly set on the future. It would have been easy to let short-term decision-making creep in, but we kept our purpose – to connect New Zealanders to each other and the world, our promise of manaaki – taking care further than any other airline in the world, and our Kia Mau strategy, front of mind in everything we did.

And there is so much more to our recovery than just the financial result. Our people have worked tirelessly to deliver great achievements, some of which are outlined on this slide.

I'm only going to highlight a few, but we have undertaken the largest recruitment drive in our history, onboarding and training 3,000 people in a tight labour market. We've lifted the wages across our frontline work force to a minimum of \$30 per hour as part of our Good Jobs strategy, and settled 16 collective agreements with our unions, which speaks to the collaborative nature of our relationship.

I would like to take this opportunity to acknowledge that none of this would have been possible without our remarkable team of Air New Zealanders, who turn up each and every day to deliver for our customers. They are the very backbone of the airline and their grit, commitment, and determination to deliver exceptional service is second to none. The Board and I are very grateful for everything they do.

Sustainability, or more specifically, decarbonisation, continues to be one of our most critical challenges and the profound impact of the changing climate was felt here in New Zealand with the Auckland floods in January and Cyclone Gabrielle a few weeks later.

The future of our industry depends on the global transition to net zero emissions by 2050 and we must all be invested in this transition. Air New Zealand has its part to play, and we know we must decarbonise our operations.

But the challenges are significant. Aviation is one of the hardest sectors to abate, there are very few levers available, and we don't control all of those levers.

While we can deliver greater operational efficiency, other pathways to decarbonisation, such as sustainable aviation fuel and next generation aircraft, will require global collaboration, policy change and significant advances in technology.

We are not waiting for a solution to come to us. Over the past year, Air New Zealand has worked with local and global stakeholders to start accelerating access to high quality, affordable sustainable aviation fuel. We have also partnered with aircraft developers and innovators to give them confidence we will be an early adopter of new lower emissions aircraft. We want – and need – a seat at the global table as all airlines grapple with the need to decarbonise and dramatically reduce emissions.

We know the task ahead is immense, but we are moving in the right direction.

One thing the Board has been deeply involved in this year is the revised capital management framework announced at the annual results in August. The Board determined it was appropriate to revisit the airline's previous capital management settings around liquidity, leverage, investment targets, and distributions following the recovery from Covid. The revised framework is applicable from the 2024 financial year.

We have increased our target liquidity range, which was \$700 million to \$1 billion, to be \$1.2 billion to \$1.5 billion. This is currently supplemented with the existing \$400 million Crown Standby Facility, which is undrawn.

We remain committed to maintaining an investment grade credit rating. We are currently rated Baa2 by Moody's and it is the Board's intention to maintain this rating, as it provides financial resilience and flexibility in terms of access to various funding markets and attractive pricing.

Given the importance of this rating, we are moving away from reporting a gearing target of 45% to 55% to implementing a net debt to EBITDA target metric of 1.5 to 2.5 times. This better reflects how our lenders, credit agencies, and investors assess our financial leverage.

Our distribution policy has been revised from a consistent and sustainable ordinary dividend to a payout ratio of 40% to 70% of underlying net profit after tax, which is more aligned to global peers. As always, distributions are ultimately determined by the Board, taking into account profitability, where we are at in the capex cycle, and other macroeconomic factors.

We acknowledge we are currently outside our target ranges, but there are a number of tools that will be used to prudently transition these back into range over time.

At the results in August, we noted that the 2023 financial year was particularly unique, with significant customer demand, constrained market capacity, and lower overall fuel prices in the second half. As such, we view the 2024 financial year to be more reflective of future financial performance.

Looking ahead to the first half of the 2024 financial year, customer demand remains solid across most of our markets, noting that in recent weeks we have seen softening in corporate and domestic demand. We are mindful of the uncertain economic environment however and acknowledge there are a number of factors that may impact future customer demand and profitability.

These include increased international competition, volatile fuel prices, a weaker New Zealand dollar, ongoing wage inflation, and increased airport charges.

Since the annual result reported on 24 August, the airline notes a further adverse impact on its cost base from fuel prices and the weaker New Zealand dollar. These factors, alongside passenger demand and the previously disclosed Pratt & Whitney global engine issues, will continue to be closely monitored.

Given the uncertainty and volatility of some of these macroeconomic factors, the airline will not be providing guidance at this time.

To finish, I am enormously proud of how Air New Zealand has navigated the past year. Despite the challenges of restoring our international network and navigating a global aviation sector that has struggled with the speed of the recovery, I believe Air New Zealand has delivered for all of our stakeholders. This is testament to the strong leadership and customer centric ethos that has been embedded throughout the organisation. On behalf of the Board, I would like to thank the entire Air New Zealand whanau for their tireless efforts. I would also like to thank my fellow directors, and you, our shareholders – for your support.

Ehara taku toa i te toa takitahi engari he toa takitini.

CHIEF EXECUTIVE OFFICER'S ADDRESS

Kia ora and good afternoon everyone.

While the recovery has been challenging to navigate, our guiding principle has been to do the right thing - by our customers, our people, our shareholders, the communities we fly to, and our suppliers. And we think we've struck the right balance in terms of rebuilding the airline, reinvesting in the future and delivering the Air New Zealand experience our customers expect.

Reflecting on the past year, it's remarkable to think that we've gone from reporting one of our worst financial performances ever to announcing a strong return to profitability in 2023.

In between times we've ramped up our international network at pace, hired and trained thousands of staff, launched direct flights to New York and developed a roadmap to guide our progress on decarbonisation through to the end of the decade.

We've announced a new cabin layout for our wide body aircraft coming in late 2024, including the world's first Skynest providing a lie flat option in economy. We've invested in self-service digital tools that put more power in the customer's hand while helping us remove five weeks' worth of call volumes from our contact centre.

We supported our communities, deploying assistance flights, carrying communication support, emergency supplies and airport operational staff to help those on the ground in the aftermath of Cyclone Gabrielle, and we reduced fares to support those travelling to or from the impacted regions.

We also recognised suppliers at our annual Tūhono Supplier Awards, acknowledging the significant contribution they make to our operations, and the value that can be achieved through deep partnership and engagement.

Delivering brilliant basics for our customers has been a key focus, and we've lifted on-time performance from 68% in July 2022 when the first international ports reopened, to an average of 77% for FY23, and up at 82% in July and 83% in August this year. It may not feel like it at times, but that performance puts us in the Top 5 of major airlines worldwide, but we know we have more to do, especially around cancellations.

We've staffed up in key areas to ease pain points for customers, adding resource to the contact centre and our refunds teams to work through backlogs.

And we've extended the deadline for customers to use their Covid credits several times, while also enabling those credits to be used on any flight, on any part of our network. Customers can also use the credits to book flights for others or use them for various upgrades. Currently we have just over \$200 million of these Covid related credits on our balance sheet, as around 80% of credits issued throughout Covid have already been utilised by our customers. We are busy reminding those with outstanding credits to make a booking by 31 January 2024 for travel by 31 December 2024.

I think the whole team at Air New Zealand would agree that it has been incredibly rewarding to get back to doing what we love, flying kiwis to reconnect with friends and family both near and far, or to take that long awaited holiday. But it has certainly stretched us operationally at times.

At the interim results we spoke candidly about the challenges we faced with contact centre wait times, the reliability of our schedule, mishandled baggage and the time taken to process refunds. As you can see, we have made some very real progress in each of these areas, and maintaining this momentum through FY24 is a priority.

Reflecting on the journey we have been on, if Act I was “Survive Covid” and Act II was “Enjoy the Recovery”, then Act III is to “Sustain performance against Headwinds”.

Although we have been experiencing a strong trading environment due to high levels of demand and industry wide supply constraints, we are facing an uncertain macroeconomic environment.

Market capacity from North America will increase over 120% this summer with American carriers and Qantas adding new services. In Asia, we're starting to see Chinese carriers add services from various ports. While more capacity is a good thing for markets that are currently undersupplied, the increasing cost of living may start to impact discretionary spend and with it, people's travel plans.

Although we reported our annual results only four weeks ago, fuel prices have risen substantially higher, and the cost to purchase that fuel in USD is even more expensive due to the weaker New Zealand dollar. Inflation continues to bite, driving increased costs across the whole business.

Recent updates provided by Pratt and Whitney, who supply and maintain engines on 16 of our NEO aircraft which operate primarily on the Tasman and Pacific Islands, will put further pressure our operation. We expect more details from Pratt & Whitney in the coming weeks and have been developing plans to reduce the potential disruption to customers.

As we navigate our way through these challenges, I'm confident we are well positioned as an airline, have the right strategy and a core set of enduring competitive advantages that we have spent years cultivating and fortifying.

These advantages will support us through difficult periods, and when times are good they really help power up our performance. We also have a flight path, our Kia Mau strategy, that helps us navigate short term volatility and keeps us future focussed.

That strategy - Kia Mau - focuses on three key drivers of profitability. First is to prudently grow our domestic network, the core of our airline. The second is to optimise our international network, which means flying the right aircraft to the right locations at the right times for our customers. And third is to lift our loyalty proposition, which helps drive deep connection and engagement with our airline.

Underlying these pillars are four key enablers - doing the basics brilliantly, leaning into our decarbonisation challenges, improving the digital proposition for our customers and our people, and having a relentless focus on safety.

With Kia Mau at the heart, we are rebuilding as a stronger, more nimble airline. And we're confident we have the right strategy and the right team to deliver.

Tēnā koutou, tēnā koutou, tēnā koutou katoa.