



Hamilton Airport

INTERIM REPORT

WAIKATO REGIONAL AIRPORT LIMITED
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

CHIEF EXECUTIVE'S REPORT

KEY RESULTS AT A GLANCE

+ 8% Passenger Volume - 207,000
Growth of 16,000

- 9% Aircraft movements - 61,000
Decrease of 6,000

+44% Operating revenue - \$6.7m
Growth of \$2.1m

+20% EBITDA excluding land sales - \$2.1m
Growth of \$0.4m

+16.7% Total shareholder funds - \$99.7m
Growth of \$14.2m

* Growth is measured compared to the six months ended 31 December 2019

COMMENTARY

The six-month period to 31 December 2019 ended with year-on-year growth across all aspects of Group operations. This included a \$2.1m increase in recurring operating revenue with even contributions from the core aeronautical business and new subsidiary; Waikato Regional Airport Hotel Limited.

Increases in Group operating expenditure, personnel costs and depreciation charges were incurred due to the addition of new subsidiary Waikato Regional Airport Hotel Limited with approximately \$0.3m of non-recurring costs attributable to start-up expenses; a component of our total investment into the venture.

New commercial charges for both airline operators and general aviation tenants took full effect during the period, bolstering aeronautical earnings. The full year benefit of the new charges will be approximately \$1.5m, delivering a fair market return on our aeronautical assets.

Aeronautical earnings were further strengthened by 8% year-on-year passenger growth, resulting in revenue increases across landing charges, car parking and retail. Indicators remain positive for aeronautical performance for the remainder of the June 2020 financial year. Beyond this timeframe we expect to see a flattening of the market due to constraints in

aircraft availability following the additional market opportunities created by the withdrawal of Jetstar regional services.

A year-on-year decrease in aircraft movements resulted from decreased activity by L3 CTS Airline Academy and Waikato Aviation, following an exceptionally high number of movements in 2018 (up 11% on 2017).

The Group celebrated two significant achievements in its 10-year property strategy during the last six months. Firstly, the construction of Titanium Park's Southern Precinct, resulting in the settlement of \$5.9m of land sales and yielding almost \$2.4m in gross margin. Construction of the second stage of this precinct, and the fourth stage of the Central Precinct will commence in the second half of the year to service a pipeline of \$5.0m further land sales scheduled to settle during the following financial year.

Secondly, Titanium Park secured its first lease-build property investment, which sees TPL starting the evolution from property development to property investment. Construction of the building, to be situated on a 1-hectare site on Southern Precinct, will commence in the second half of this financial year with the tenant due to move in in October 2020.

Aside from property development, the Group continues to invest across the Airport Precinct. The \$4.2m capital expenditure in the period included a \$3.2m investment into the upgrade and refurbishment of the airport hotel and conference centre and reinvestment in aeronautical infrastructure; primarily major upgrades to rescue fire infrastructure. The hotel capital works culminated in the property being accredited by Qualmark as a 4 Star hotel in December 2019 and earning a Qualmark Silver environmental accreditation in the process. Despite the disruption caused by refurbishment works resulting in some additional unbudgeted costs, the achievement of the 4 Star rating is expected to bolster earnings in the second half of the financial year.

The capital works programme for the six months to June 2020 will be dominated by the commencement of the terminal refurbishment and resilience project running through to mid-late 2021. Architectural plans are due to be finalised by February 2020 and lead construction contractors and key subcontractors will be appointed in late March 2020.

Hamilton & Waikato Tourism continue to make good progress on advancing the Tourism Opportunities Plan for the region, which has included delivery of two of the five game-changers.

Despite the softening of international visitor arrivals, the region continues to perform well as a leisure and business events destination, maintaining New Zealand's fourth largest convention and meetings market share, and third largest for domestic tourism.

A key focus for this year has been the activation of the Regional Major Events Strategy. HWT has been working with a new funding partner as it seeks to build capability as an organisation that will coordinate bids for the region in order to secure new major national and international events in our off-peak season, as well as grow the economic value of existing events such as the Hamilton Garden Arts Festival and Balloons Over Waikato.

Mark Morgan - Chief Executive

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income & Expense

For the six month period ended 31 December 2019

	2019 \$ '000	2018 \$ '000
Revenue		
Operating revenue	6,751	4,678
Land sales	5,875	1,121
Other gains/(losses)	1,096	75
	13,722	5,874
Expenses		
Operating expenses	(2,740)	(1,752)
Cost of land sales	(3,500)	(812)
Employee benefits expense	(1,927)	(1,191)
Depreciation & amortisation	(1,602)	(1,234)
Finance costs	(299)	(263)
	(10,068)	(5,252)
Net surplus/(deficit) before tax	3,654	622
Tax expense	(923)	(193)
Net surplus/(deficit) after tax	2,731	429
Other comprehensive revenue & expense		
Revaluation of property, plant & equipment	-	-
Deferred tax	-	-
Total other comprehensive revenue & expense	-	-
Total comprehensive revenue & expense	2,731	429

These interim financial statements have been prepared in accordance with Tier 2 PBE Accounting Standards.

FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

For the six month period ended 31 December 2019

	Share Capital \$ '000	Retained Earnings \$ '000	Revaluation Reserves \$ '000	Total \$ '000
Opening Balance - 1 July 2018	14,860	23,573	46,842	85,275
Net surplus/(deficit) after tax	-	429	-	429
Other comprehensive revenue & expense	-	-	-	-
Disposal of revalued property, plant & equipment	-	-	-	-
Total comprehensive revenue & expense	-	429	-	429
Dividends paid to shareholder	-	(250)	-	(250)
Closing Balance - 31 December 2018	14,860	23,572	46,842	85,454
Opening Balance - 1 July 2019	14,860	25,323	57,102	97,285
Net profit/(loss) after tax	-	2,731	-	2,731
Other comprehensive income	-	-	-	-
Disposal of revalued property, plant & equipment	-	-	-	-
Total comprehensive income	-	2,731	-	2,731
Dividends paid to shareholder	-	(300)	-	(300)
Closing Balance - 31 December 2019	14,860	27,752	57,102	99,714

Consolidated Statement of Financial Position

As at 31 December 2019

	2019 \$ '000	2018 \$ '000
Current Assets		
Cash and cash equivalents	390	56
Trade and other receivables	1,228	684
Inventories	427	95
Development property	8,262	9,220
	10,307	10,055
Non Current Assets		
Property, plant and equipment	95,028	74,477
Investment property	18,942	21,503
Intangible & other non-current assets	1,566	874
	115,536	96,854
Total Assets	125,843	106,909
Current Liabilities		
Trade and other payables	3,717	1,262
Income received in advance	440	137
Employee entitlements	284	230
Borrowings	48	48
	4,489	1,677
Non Current Liabilities		
Borrowings	13,168	12,632
Deferred tax liability	8,472	7,326
	21,640	19,958
Total Liabilities	26,129	21,635
Net Assets	99,714	85,274
Equity		
Share capital	14,860	14,860
Retained earnings	27,752	23,572
Revaluation reserves	57,102	46,842
Total Equity	99,714	85,274

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

For the six months ended at 31 December 2019

	2019 \$ '000	2018 \$ '000
Operating activities		
Receipts from operations	12,254	5,799
Payments to suppliers and employees	(4,707)	(3,661)
Payments for construction of development property	(1,022)	(832)
Payment of interest	(292)	(263)
Payment of income taxes	(812)	(452)
Net cash from/(used in) operations	5,421	591
Investing activities		
Receipts from sale of property, plant and equipment	4	606
Purchases of property, plant & equipment	(3,756)	(314)
Purchases of investment properties	-	(46)
Purchases of intangible assets	-	-
Acquisition of business	(500)	-
Net cash from/(used in) investment activities	(4,252)	246
Financing activities		
Receipts from/(repayments of) borrowings	(1,290)	(565)
Payments of dividends	(300)	(250)
Net cash from/(used in) financing activities	(1,590)	(815)
Net change in cash for the period	(421)	34
Add opening cash and cash equivalents balance	811	22
Closing cash and cash equivalents	390	56

PERFORMANCE REPORTING

Performance against Statement of Intent

For the six months ended 31 December 2019

	SOI 30/06/2020	Actual 31/12/2019	Forecast 30/06/2020
Financial Targets			
EBITDA excluding Land Sales	4,000	2,084	4,468
EBITDA including Land Sales	6,000	4,459	6,843
Net Profit after Tax	1,200	2,731	1,857
Net Operating Cash Flow	2,500	568	2,960
Total Debt	25,000	13,168	16,480
Total Liabilities to Shareholders Funds	35:65	26:74	27:73
Net Profit after Tax to Shareholders Funds	1.0%	2.7%	1.9%
Net Profit after Tax to Total Assets	1.3%	2.2%	1.5%
Percentage of non-landing charge revenue (minimum)	60%	67%	68%
Land sales of at least	7,000	5,875	5,875
Interest cover of at least	4.0	7.0	6.4

The group has a number of non-financial performance targets covering across the range of activities the group undertakes. At 31 December 2019, the Group was on track to meet, and expects to meet all measures for the year ended 30 June 2020.



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