PALMERSTON NORTH CITY COUNCIL

MINUTES ATTACHMENTS

FINANCE & AUDIT COMMITTEE

9AM, WEDNESDAY 18 MARCH 2020

COUNCIL CHAMBER, FIRST FLOOR, CIVIC ADMINISTRATION BUILDING

32 THE SQUARE, PALMERSTON NORTH

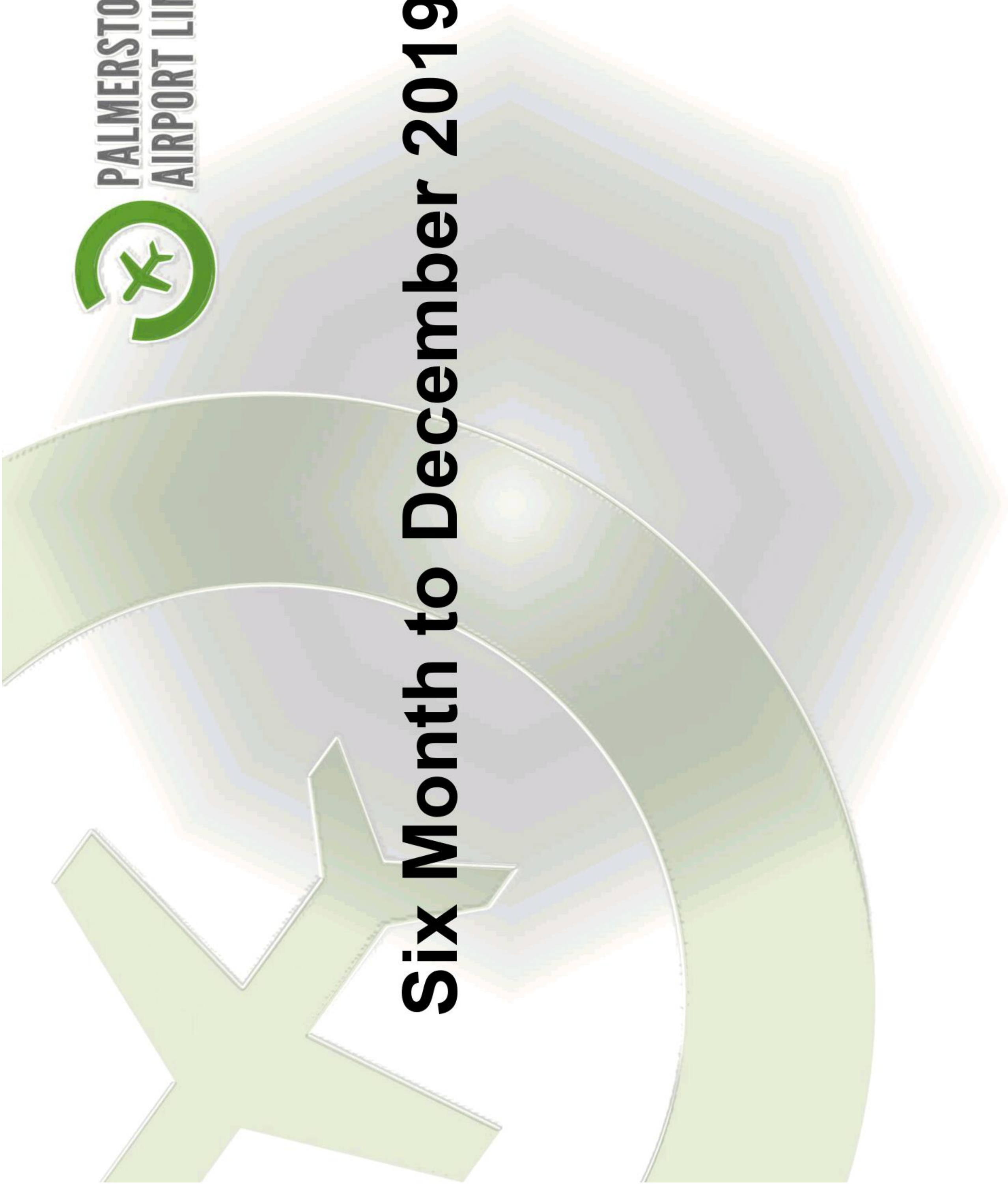
FINANCE & AUDIT COMMITTEE MEETING

18 March 2020


PALMERSTON NORTH
AIRPORT LIMITED
Six Month and SOI
Presentation
18 March 2020

PALMERSTON NORTH AIRPORT LIMITED

Six Month to December 2019



Key points

PALMERSTON NORTH AIRPORT LIMITED

Compliance

- Zero lost time injuries.
- Five Yearly CAA Part 139 audit successfully completed.

Culture

- Organizational purpose statement developed
  - "launching our communities into the future"
- Fifth C – Culture "One-team" introduced.

Customer

- Passenger volumes flat vs prior year.
- Jetstar ceased operating 30 Nov 2019.

Key points

PALMERSTON NORTH AIRPORT LIMITED

Community / Environmental

- Stage 1 – Airports Council International accreditation.
- Elevated community engagement – sponsorships.
- Ongoing energy saving and waste minimisation programmes

Commercial

- $5.3m Massey School of Aviation facility completed.
- Ruapehu Business Park development - Wairaka Place consented.
- $15m Terminal Development Plan progressing.

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Financials

- **NPAT $1.33m +16.7% vs budget**
- Revenue $5.21m within 1.7% of budget.
- Operating expenses $2.57m 9% below budget.

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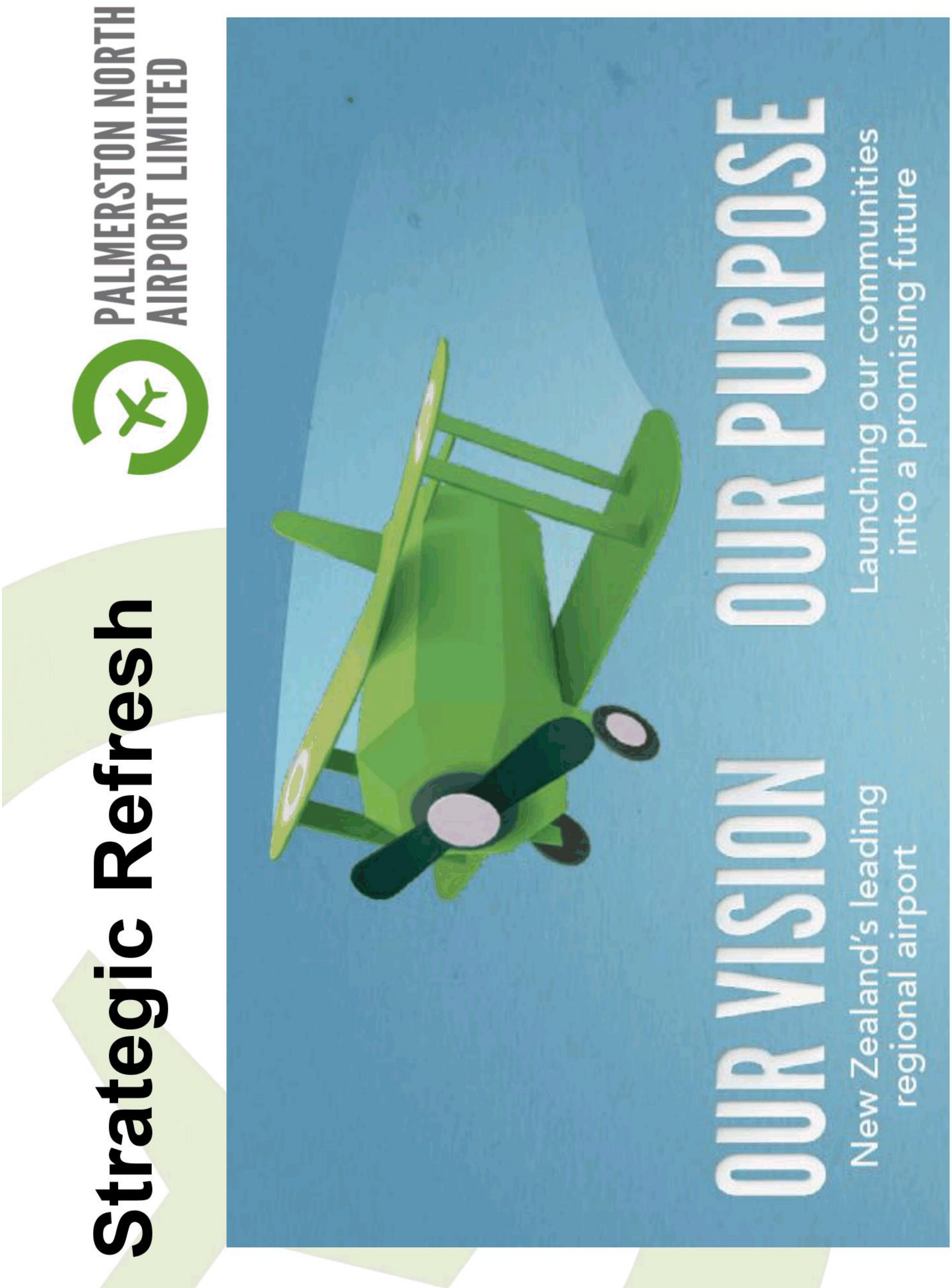
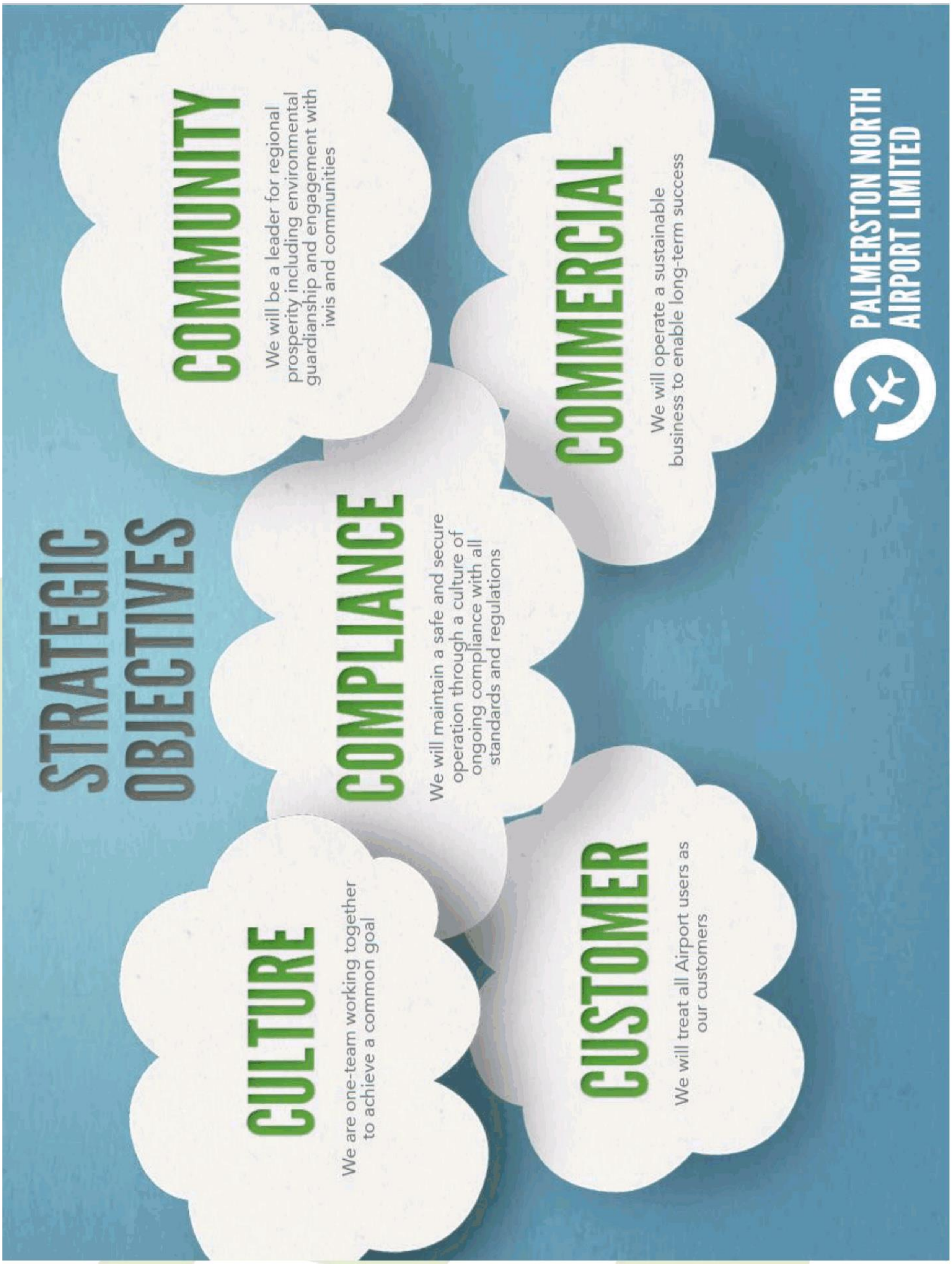
Statement of Intent F20/21

ITEM 6 - ATTACHMENT 1




STRATEGIC OBJECTIVES
COMMUNITY
We will be a leader for regional prosperity including environmental guardianship and engagement with iwis and communities
COMPLIANCE
We will maintain a safe and secure operation through a culture of ongoing compliance with all standards and regulations
COMMERCIAL
We will operate a sustainable business to enable long-term success
CULTURE
We are one-team working together to achieve a common goal
CUSTOMER
We will treat all Airport users as our customers
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PNCC Alignment

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PNCC Goal	PNAL Context
Goal 1: Innovative & Growing City	• Terminal Development Plan • Air service development - Jet readiness • Ruapehu Business Park
Goal 2: Creative & Exciting City	• Community Engagement – ethnic / iwi • Sponsorship
Goal 3: A connected & Safe Community	• Rangitāne relationship • Not for profit agency support • Massey School of Aviation facilities
Goal 4: An Eco city	• Roadmap to carbon neutrality • ACI accreditation
Goal 5: Driven & Enabling Council	• Strong working relationships

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Compliance

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Maintain a safe & secure operation

- Ongoing pavement upgrades – runway and apron areas.
- Safety Management System fully implemented by July.

Culture

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We are one-team working together to achieve a common goal

- Strategy refresh
- Staff engagement initiatives
- Wellbeing program
- Safety Management System

Community

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Regional prosperity, environmental guardianship, community engagement

- Regional sponsorship
- Schools program
- Fly Palmy Mascot – Bernie (Saint Bernard)
- Te Rangimarie Marae
- Airports Council International – Stage II

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Commercial

Passenger and Revenue volatility ahead

- ✓ However PNAL must retain a long-term focus and continue to invest in terminal infrastructure and revenue diversification via investment in Ruapehu Business Park

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Commercial

Passenger demand factors

Positives

- Diversified regional economy.
- Regional infrastructure projects.

Negatives

- COVID-19.
- Global macro-economic factors.
- Flight shaming.
- Air NZ capacity reductions.
- Border restrictions.

Pax Volatility

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Forecast pax	February	March	Pax Var%	Rev impact	SOI Revenue
F19/20	**660,900**		**0.0%**	**$0.000m**	**$10.847m**
		645,000	-2.3%	$0.121m	
		606,000	-8.3%	$0.545m	
F20/21	**665,000**		**0.00%**	**$0.000m**	**$11.783m**
		600,000	-10%	$0.730m	
		568,000	-15%	$1.114m	
		540,000	-20%	$1.442m	
		508,000	-25%	$1.812m	
		465,500	-30%	$2.524m	

A 30% decline in passenger volumes will reduce F20/21 company revenue by $2.5 million and the remainder of 19/20 revenue by $0.545 million.

Capex

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CAPITAL CATEGORY	2019/20	2020/21	2021/22	2022/23
	Fcst	SOI Y1	SOI Y2	SOI Y3
INFRASTRUCTURE – LAND	$1.0M	$2.0M	$1.2M	$0.6M
INFRASTRUCTURE – AIR	$0.5M	$2.8M	$1.9M	$0.3M
NON-RBP BUILDINGS (INCL TDP)	$0.6M	$5.2M	$9.0M	$0.7M
PLANT AND EQUIPMENT	$0.3M	$0.5M	$0.4M	$0.0M
OTHER	$0.2M	$0.2M	$0.2M	$0.2M
RBP – COMMERCIAL ZONES	$3.4M	$2.8M	$1.6M	$5.2M
TOTAL CAPITAL EXPENDITURE	**$5.9M**	**$13.4M**	**$14.3M**	**$7.1M**

Customer Experience

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✈ Terminal Development Plan

- ✓ Three year project
- ✓ Extended check-in / new baggage make-up facility
- ✓ Refresh to terminal frontage

✈ Terminal – Carpark interface

- ✓ Semi-covered pickup/drop-off areas
- ✓ Improved interface
- ✓ Taxi rank extension

Continued investment is critical.

Terminal Development

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- $15m estimated price tag
- High opportunity cost – commercial projects deferred
- Major regional economic impact if stalled
  - Pax constraints in terminal
  - Impacts on regional businesses' balance sheets.
  - No Jet services.
  - Risk of poor solution for mandated screening.

A significant investment is required by PNAL with equally significant benefits for our city and region.

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Financials

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$m	2019/20	2020/21	2021/22	2022/23	Var%
	Fcst*	SOI Y1	SOI Y2	SOI Y3	*Y1 vs TY*
Revenue	**10.3**	**11.8**	**12.8**	**13.3**	***+14.4%***
Costs	5.3	5.3	5.6	5.8	-
EBITDA	**5.4**	**6.4**	**7.2**	**7.5**	***+31.2%***
Depn & Fin	2.5	2.9	3.8	4.2	*+17.8%*
Surplus pre Tax	2.5	4.9	4.5	3.9	*+99%*
Profit/ Loss on sale	0.1	1.5	1.3	0.9	*+1226%*
Net Operating Surplus (post tax)	**1.8**	**3.6**	**3.4**	**3.0**	***+99%***

*30% capacity reduction by Air NZ to FY end.

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Performance Metrics

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PERFORMANCE METRIC	2019/20	2020/21	2021/22	2022/23
	Fcst	SOI Y1	SOI Y2	SOI Y3
A ratio of surplus before interest/tax/depreciation to total assets.	5%	6%	6%	6%
A ratio of net surplus after tax to consolidated shareholders' funds inclusive of revaluation reserve.	3%	5%	5%	4%
To maintain a ratio of consolidated shareholders funds to total assets of at least 40%	73%	68%	63%	63%
To maintain an interest coverage ratio of surplus before interest to interest, of at least 2.25 as per BNZ Loan Covenants.	5.7	9.7	5.9	4.7
To maintain a tangible net worth (total tangible assets after revaluations less total liabilities) above $50 million dollars.	$68.7m	$70.8m	$72.8m	$74.7m

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Performance Metrics contd.

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PERFORMANCE METRIC	2019/20	2020/21	2021/22	2022/23
	Fcst	SOI Y1	SOI Y2	SOI Y3
Zero lost time injuries	Zero	Zero	Zero	Zero
Net Promoter Score	45	50	55	60
Total Passenger volumes	606,000	TBC	TBC	TBC
CAA Part 139 Certification	Achieve	Achieve	Achieve	Achieve
Roadmap to Carbon Neutrality	Complete	Ongoing	Ongoing	Ongoing
Emission Reductions				
Energy KWH/Pax	Mapping	TBC	TBC	TBC
Waste to Landfill – diversion rate %	TBC	TBC	TBC	TBC
Water Consumption	Mapping	Mapping	-10%	-5%

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Opportunities

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Alternative funding approaches

- Access to LGFA funding.
- PNCC support via dividend holiday.
- Other

Dividend Proposal

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- Net Surplus uncertainty.
- However shareholder dividend included at a capped level.
- Assists PNAL to re-invest in our terminal capacity while also continuing to develop Ruapehu Business Park.

COVID-19 response

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Pandemic Response Plan

- Communications – team, tenants, airline customers
- Hygiene levels – team , public, terminal cleaning
- Business Continuity - Business as usual, remote access, Duty rosters
- Wellbeing - communications, special leave
- Rescue Fire – availability.

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ITEM 6 - ATTACHMENT 1