



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

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PROSPEROUS NAPIER COMMITTEE

Open Minutes Attachments

Meeting Date:	Thursday 17 March 2022
Time:	10.07am-11.20am
Venue:	Via Zoom (Audio Visual Link)

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DRAFT STATEMENT OF INTENT

FY23-25

PURPOSE, VISION & STRATEGIC POU

PURPOSE	We connect people, business and regions
VISION	We are a safe, secure and future looking transport hub for everyone

 Our Operations	 Our People	 Our Environment	 Our Partnerships	 Commercial Success
<p>We ensure a safe, secure and intuitive customer journey for all. We strive for excellence and evolve with change.</p> <p><i>You're in safe hands</i></p>	<p>We treat our people with respect, empower them with knowledge and allow them flourish in an inclusive environment. We are a learning organisation.</p> <p><i>A great place to work</i></p>	<p>We make wise decisions with airport land to safeguard the future, creating long term resilience and sustainability. We have a strong sense of place.</p> <p><i>We are guardians of the land.</i></p>	<p>We are a reflection of our region. We foster meaningful relationships with our customers, partners, mana whenua and the community to support positive growth</p> <p><i>Creating meaningful connections</i></p>	<p>We maximise commercial returns across all areas, to ensure value for our stakeholders and the wider community</p> <p><i>A profitable, sustainable business</i></p>

HAWKE'S BAY AIRPORT LIMITED

PRESENTATION TO SHAREHOLDERS

SOI HIGHLIGHTS



HAWKE'S BAY AIRPORT LIMITED

 \$9m Revenue	 \$250k NPAT	 \$4.7 EBITDA m	 +30% Non aero revenue growth
 520k Passengers	 Zero Lost time injuries	 Aero infrastructure “fit for purpose”	 Employer of choice
 Level 3 Airport Carbon Accreditation	 Grow our partnerships	 Solar Farm Project enters next phase	 Customer Experience Strategy implementation

PRESENTATION TO SHAREHOLDERS

PASSENGER NUMBERS





FY23

Recovery to 2020 level



Item 2 Attachment 1

KEY FOCUS #1 DIVERSIFICATION AND GROWTH STRATEGY



HAWKE'S BAY AIRPORT LIMITED

PRESENTATION TO SHAREHOLDERS

Item 2 Attachment 1

KEY FOCUS #2

CUSTOMER EXPERIENCE & MARKETING STRATEGY



HAWKE'S BAY AIRPORT LIMITED

PRESENTATION TO SHAREHOLDERS

KEY FOCUS #3

SOLAR FARM PROJECT



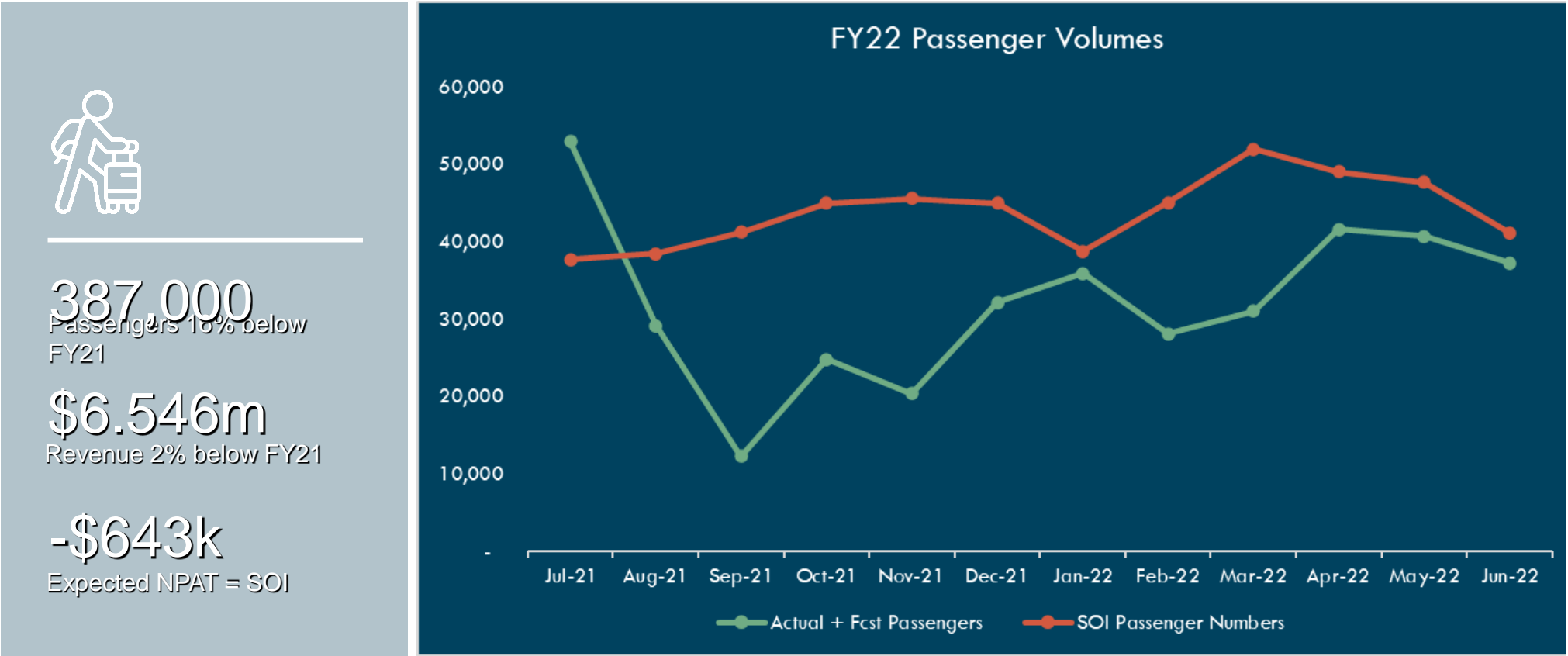
Artists impression of Hawke's Bay Airports proposed solar farm

HAWKE'S BAY AIRPORT LIMITED

PRESENTATION TO SHAREHOLDERS

Item 2 Attachment 1

FINANCIAL OUTLOOK FY22



HAWKE'S BAY AIRPORT LIMITED

PRESENTATION TO SHAREHOLDERS

FINANCIAL DETAILS

PASSENGER NUMBERS



Item 2 Attachment 1

FINANCIAL DETAILS

P&L HEADLINES

	FY22	FY23	FY24	FY25
<i>Passenger Numbers</i>	386,573	519,994	595,523	615,032
	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>
Forecast Revenue	6.5	9.0	10.5	11.1
EBITDA	2.87	4.79	5.89	6.24
<i>EBITDA Margin</i>	44%	53%	56%	56%
NPAT	(643)	258	917	1,225


HAWKE'S BAY AIRPORT LIMITED

PRESENTATION TO SHAREHOLDERS

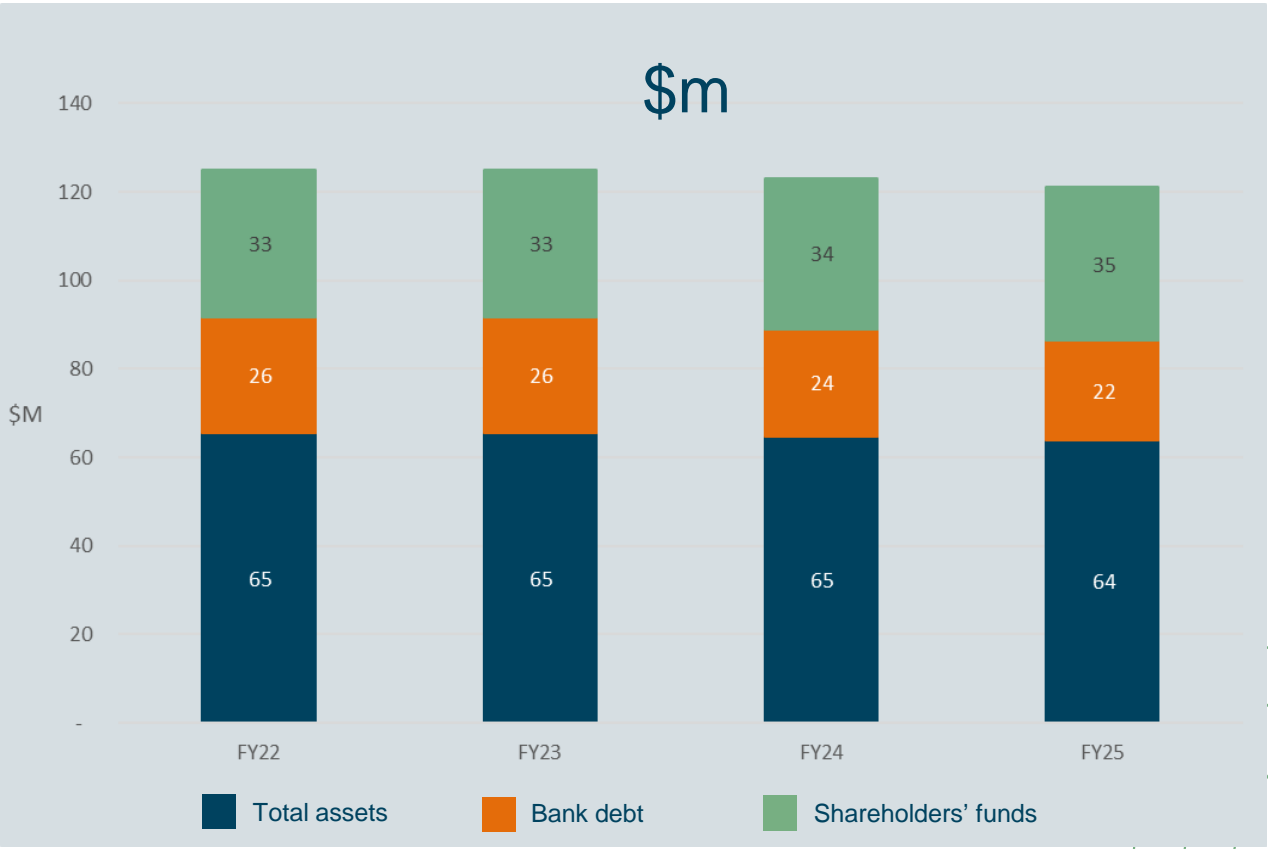
Item 2 Attachment 1

FINANCIAL DETAILS

BALANCE SHEET HEADLINES



FY22
to
FY25



HAWKE'S BAY AIRPORT LIMITED

PRESENTATION TO SHAREHOLDERS

Item 2 Attachment 1

FINANCIAL DETAILS

CAPEX HEADLINES

Item 2 Attachment 1



Apron & taxiway maintenance

Early 2023 - \$900k

2nd Airport Fire Appliance

FY 23-24 - \$1m

	2022/23	2023/24	2024/25
	\$	\$	\$
Airside Infrastructure & Projects	931,000	895,000	1,985,000
Landside Infrastructure & Commercial	415,000	365,000	175,000
Property & Planning	866,500	360,000	250,000
Operational Efficiency	854,000	870,000	300,000
	3,066,500	2,490,000	2,710,000

HAWKE'S BAY AIRPORT LIMITED

PRESENTATION TO SHAREHOLDERS

THANK YOU



MEMORANDUM



To: Napier City Council – Adele Henderson
Hastings District Council – Bruce Allan
Treasury – Kylie Kuan; Maruta Kanepa
From: Hawke's Bay Airport
Date: 28 January 2022
Re: **REPORT TO SHAREHOLDERS**
Q2 FY2022 - 1 October – 31 December 2021

SUMMARY

Hawke's Bay Airport ("HBAL") entered FY22 initially in a strong position having experienced several months of pre-Covid-19 level passenger volumes. This changed overnight with the implementation of Level 4 restrictions on 17 August 2021 resulting in no air movements for over two weeks, followed by minimal Christchurch and Wellington services for several months until the Auckland route was reinstated on 15 December 2021.

This has underpinned a second quarter loss of \$297k which has grown from the Q1 loss of \$102k.

Statements of Financial Performance and Position for the quarter and year to date are attached in Appendix 1 for further information.

Financial Performance Headlines							
	For the quarter ended 31 December 2021				Year to Date ended 31 December 2021		
	Actual	Budget	Variance	Var %	Actual	Budget	Variance
Passenger Numbers	77,401	135,625	(58,224)	-43%	171,851	253,112	(81,261)
Total Revenue	1,441,215	2,020,556	(579,341)	-29%	3,011,752	3,795,826	(784,074)
Operating Expenses	912,769	969,649	56,880	6%	1,812,258	2,031,315	219,057
EBITDA	528,446	1,050,907	(522,461)	-50%	1,199,494	1,764,511	(565,017)
Net Profit after Tax	(297,536)	106,560	(404,096)	379%	(409,166)	(21,755)	(387,411)

Table 1: Financial Performance Headlines

FINANCIAL PERFORMANCE NOTES

- Total Revenue for the quarter at \$1.441m was 43% behind Statement of Intent ("SOI") and was reflective of passenger volumes being 43% behind budget, with passenger related revenue streams being severely impacted. The aeronautical revenue shortfall was mitigated in part by an annual pricing review with Air NZ in July 2021 that delivered a higher per passenger charge than originally budgeted for.
- The estimated lost revenue associated with quarter being materially affected by Covid-19 restrictions is in the vicinity of \$650k. All Covid-19 wage subsidies and resurgence payments were applied for and \$55k was received during Q2.

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- HBAL's focus on expenditure control and cost reduction continued to hold operating expenditure to within SOI parameters, specifically 6% below the SOI for Q2. Both operating and capital expenditure continues to be closely monitored and prioritised given the current uncertainty as we enter Q3 and the emergence of the Omicron variant.
- As a consequence of the above factors, a positive EBITDA of \$528k was able to be achieved but fell short of the SOI; with the net loss of \$297k, being \$404k below the budgeted profit for Q2 of \$106k.

FUNDING

During Q2 HBAL transitioned its main debt term loan facility with ASB Bank from a term loan of \$23m to a 'sustainability linked loan' of \$23m. This loan is aligned with HBAL's sustainability strategy, with targets set at attaining level 3 and level 4+ of the Airport Carbon Accreditation programme. As per the prior term loan, the funding is available for general corporate purposes, rather than tied to a specific 'green' project.

The overall value of HBAL's facilities with ASB Bank remain unchanged at \$28.5m and are comprised of: Sustainability linked loan \$23m; Revolving credit \$5m; Overdraft \$500k.

At 31 December 2021 HBAL had \$26m drawn against these facilities (Q1: \$25m). Current forecasts indicate there should be sufficient headroom within the current facilities to maintain prioritised capital expenditure and provide any additional working capital required due to possible Covid-19 related impacts.

BUSINESS ACTIVITY SUMMARY

HBAL continues to advocate for the development of a regional transport strategy. This involves a small team focussed on bolstering our aeronautical aviation development plans to support the recovery and growth of aviation, creating business cases for new routes, aircraft seat capacity and air freight opportunities.

HBAL has continued working with Air NZ and partnering airports on developing potential routes and infrastructure support recognising shifts in lower carbon aircraft technology.

HBAL is pleased to have attracted Originair to Hawke's Bay who commenced direct services between Nelson in October 2021 and Hamilton in December 2021. Nelson enables inter-island connectivity outside of Christchurch and Wellington.

TERMINAL DEVELOPMENT PROJECT

The third and final stage of the terminal expansion project opened for public use on the 6 August 2021, with the HBAL Team moving into their new offices in late November 2021. The terminal expansion and forecourt projects have been impacted by the successive lockdowns with access to resources and supply chain challenges being experienced during Q2. This is having an impact on the defects remediation and delivery of outstanding e.g. terminal furnishings.

In December 2021, HBAL awarded the contract to Higgins Contractors to complete the forecourt project. It is expected this will be completed in April 2022 (subject to further resource and supply chain issues), with the final planting and exterior aesthetics to complete during autumn.

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NAPIER CITY COUNCIL DISTRICT PLAN REVIEW

As previously reported, HBAL is actively participating in the Napier City Council ("NCC") District Plan Review. This process has been under way since early 2019. NCC released the draft district plan for public comment in August 2021. HBAL provided comments to NCC and continues to work with NCC through this process.

COMMERICAL AND PROPERTY DEVELOPMENT

A key area of focus for HBAL continues to be revenue diversification into non-aeronautical activity. HBAL is mindful of the recently received Letter of Expectations from the Shareholding Minister (dated 21 December 2021) and ensuring an appropriate focus on the business's recovery.

Following the opening of the terminal, a second retail offering opened in December 2021, with Bellantinos providing a distinctively Hawke's Bay offering. Early indications from trading by Bellantinos and Bay Espresso at full capacity since Covid-19 restrictions were lifted in mid-December, are that the offering is extremely well received.

HBAL continues to experience a steady uptake in the new digital advertising assets and has seen positive increased revenue streams.

SUSTAINABILITY

HBAL continues to work on key initiatives to support our Airport Carbon Accreditation ("ACA") Programme Level 3 and 4 aspirations. Examples include the implementation of EV charging; climate change adaptation infrastructure review; materiality assessments and embedding sustainability into all aspects of HBAL business. Of note, HBAL's access to the ASB Sustainability Linked Loan is directly tied to HBAL's sustainability policy and ACA Level 3 and 4 accreditation targets.

SOLAR FARM PROJECT

As reported in the previous period, HBAL's proposed Solar Farm project on airport land continues. HBAL is in commercial discussions with a partner which include equity, off take and construction of the project parameters. An MOU is expected to be signed in Q3. HBAL is mindful of the recently received Letter of Expectations from the Shareholding Minister (21 December 2021) and ensuring the appropriate planning and controls around the projects' establishment, should the project proceed.

SAFETY MANAGEMENT

Again, in this report, it is pleasing to report Hawke's Bay Airport Construction Limited ("HBACL") has continued with nil lost time injuries reflecting a continued culture of safety on the terminal construction site.

PEOPLE & ORGANISATION

HBAL's Chief Executive Officer ("CEO"), Stuart Ainslie, departed the business on 3 December 2021. The recruitment process for a new CEO is in progress with an Acting CEO currently managing during the transition.

Other key staff changes include the recent departure of the Operations Manager on the 17 December 2022, with a new Operations Manager starting on the 10 January 2022. Once her

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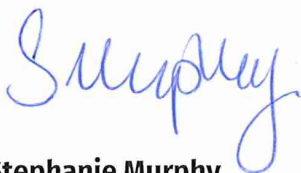
status is approved HBAL will have three "Senior Persons" employed, providing enhanced assurance in the business's ability to operate to that previously in place.

As reported in Q1, the Airport Rescue Fire ("AFS") team was brought inhouse post 2020 Covid-19 period. Recently HBAL has commenced recruitment for additional resource to build further resilience into the team and ensure HBAL is well placed to deal with issues associated with impacts of Covid.

As reported in Q1, the HBAL Ambassadors were stood down from service on 17 August due to the Covid-19 restrictions. They will return when it is deemed safe and appropriate as we continue to monitor the current resurgence of Covid-19 in Q3.

KEY FOCUS FOR Q3

The forecourt project, revenue diversification, including commercial and property development, the Solar Farm Project, and prudent fiscal management in the current Covid environment continue to be the primary focus for HBAL over Q3, and will remain so in the foreseeable future.



Stephanie Murphy
Acting CEO
Hawke's Bay Airport Limited



Wendie Harvey
Chair
Hawke's Bay Airport Limited

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APPENDIX 1: FINANCIAL PERFORMANCE**BALANCE SHEET**

\$000's	As At	
	Dec 21	Jun 21
Cash/(Overdraft)	146	199
Receivables & Prepayments	644	840
Current Assets	790	1,039
Payables & Accruals	545	1,991
ASB Revolving Credit Facility	3,000	0
Current Liabilities	3,545	1,991
WORKING CAPITAL	(2,755)	(952)
Airport Fixed Assets	64,590	63,301
Intercompany	21	31
Non Current Assets	64,610	63,332
Bank Debt	23,000	23,000
Other term Liabilities	5,333	5,449
Non Current Liabilities	28,333	28,449
NET ASSETS	33,522	33,931
Net Gearing Ratio	43.7%	40.4%
Equity (>=50%)	52%	53%

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Hawkes Bay Airport Ltd
Profit and Loss Report Quarter & Year to Date
Dec-21

	QTR Sep 21			LY QTR Actual
	Actual	SOI	Variance	
<i>Passenger Numbers</i>	77,401	135,625	-43%	120,819
Revenue				
Aviation	723,970	1,124,283	(400,313)	890,129
Commercial	445,863	689,512	(243,649)	592,541
Property	108,053	107,764	289	77,821
Business Park	107,556	98,997	8,559	102,464
Other Revenue	55,773	-	55,773	1,030
Total Revenue	1,441,215	2,020,556	(579,341)	1,663,985
Operating Expenses				
Total Expenses	912,769	969,649	56,880	763,387
EBITDA	528,446	1,050,907	(522,461)	900,598
	37%	52%		54%
Depreciation	741,376	755,702	14,326	600,362
Interest Expense	153,860	147,201	(6,659)	90,682
Net Profit Before Tax	(366,790)	148,004	(514,794)	209,554
Tax	- 69,254	41,444	110,698	77,796
Net Profit After Tax	(297,536)	106,560	(404,096)	131,759
	-21%	5%		8%

Revenue:

Aviation

Commercial

Property

Business Park

Landing Charges; Aircraft Parking

Car Park; Ground Transport; Retail; Advertising; Rental Car Co. parks & concession





















Rentals - Terminal; Airside; Rental Car Co.s

Business Park rentals; Car Valet Rentals

Year to Date			LY YTD Actual	Variance	FY22 Full Year SOI	FY21 Actual
Actual	YTD SOI	Variance				
171,851	253,112	-32%	203,381	-16%	526,865	461,056
1,536,721	2,103,834	(567,113)	1,443,164	93,557	4,399,378	3,333,606
962,945	1,280,916	(317,971)	1,003,728	(40,783)	2,661,540	2,215,614
205,252	213,082	(7,830)	152,214	53,038	426,832	312,793
207,420	197,994	9,426	205,923	1,497	445,986	402,768
99,414	-	99,414	53,753	45,661	-	396,429
3,011,752	3,795,826	(784,074)	2,858,783	152,969	7,933,736	6,661,210
6% 1,812,258	2,031,315	219,057	1,446,583	(365,675)	3,977,370	2,942,663
1,199,494	1,764,511	(565,017)	1,412,200	(212,706)	3,956,366	3,718,547
40%	46%		49%			
1,431,073	1,500,288	69,215	1,201,653	(229,421)	3,039,248	2,389,646
238,530	294,429	55,899	174,903	(63,628)	587,471	342,103
(470,110)	(30,206)	(439,904)	35,645	(505,754)	329,647	986,798
- 60,943	- 8,451	52,492	78,016	138,959	120,312	427,519
(409,166)	(21,755)	(387,411)	(42,371)	(366,795)	209,335	559,279

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APPENDIX 2: Statement of Intent – Progress Report

Hawkes Bay Airport Limited						<div>Completed </div>
FY22 Statement of Intent - Progress Report			Half Year Ended	31-Dec-21		<div>Work in Progress/On track for 30 June </div>
						<div>To be started </div>
Strategic Pillar		Activity and Outcome	Measure	Target/Date	Progress to Date	Commentary
Operations	1	Operating and effective safety management system	Internal SMS tracker updated monthly	Recurring		Both measures on track
			To achieve zero lost time injuries			
	2	Practical completion of landside forecourt	Practical completion	Aug-21		Expected April 2022
	3	Biannual strategic risk/compliance review	Review implemented	Aug-21		Programme in place for regular deep dive reviews of Strategic risk register by the Board
	4	Review and refine Wildlife Management Plan	Second phase plan implemented	Nov-21		Ongoing internal development of wildlife management systems & capability; Avisure desktop review deferred to FY23
	5	Complete roadmap to carbon neutrality	Achieve Level 3 Airport Carbon Accreditation (ACA)	May-22		Roadmap complete; materiality assessment in progress; Lvl 3 data collection Covid affected which will delay ACA level 3 application to FY23
Commercial	6	Research transport demand profile of existing/potential airport users and complete ground transport strategy to inform precinct and product development. This should consider all modes of transport (public/private)	Implement research based product segmentation of carpark	Sep-21		Project underway. Data collection; objectives defined; project plan being formulated
	7	Use transport strategy to inform preparation of five-year product development roadmap for carpark/ground transport – this should consider capacity, segmentation, commercial, technology and sustainability outcomes as well as supporting capex/opex requirements.	Transport strategy roadmap endorsed by HBAL Board	Jun-22		Follows on from 6. above.
			Capex/opex built into financial forecasts.			
	8	Grow in-terminal passenger spend rates by better meeting customer demand.	Improved ASQ scores and PSR growth	Jun-22		Covid /terminal delay has impacted
			PSR growth of > 10%	Jun-22		Covid impacted
	9	Build stronger relationships/understanding with all commercial partners	Minimum 2 x meetings per year with each commercial partner	Recurring		Work in progress. Annual rent reviews delivered.
	10	Develop a five-year advertising strategy against the objective of positioning the airport as a blue-chip advertising opportunity for local/national campaigns. Grow advertising revenues via the successful implementation of new digital assets via existing sales structure	Strategic review complete	Sep-21		Strategic review (internal v external mgmt) complete. Five-year strategy to be developed. Covid impacted presently but revenue growth underway
			Advertising revenue growth of >40%			
	11	Work with NCC planners and local iwi to ensure HBAL interests are considered in district plan review	Successful regional collaboration	Recurring		Work in progress. HBAL masterplan objectives reflected in draft district plan; feedback presented from HBAL to Napier City Council. Waiting NCC notification of proposed district plan
			District plan outcomes support HBAL master plan objectives			
Property	12	Continue to refine commercial property strategic plan in alignment with RMA /Sustainability Framework and market demand.	Activation of HBAL property strategy.	Dec-22		Launch of Ahuriri Aero Park underway with collateral in the market
			Precinct and market collateral in place			
	13	Holistic study of existing and future airport utilities (three waters, roading and electricity) undertaken and granular understanding of development milestones, trigger points and costs generated.	Utilities/infrastructure capex plan in place	Jun-22		Work in progress around Climate resilience assessment
	14	Stimulate property development opportunities	>1 major property development initiated	Jun-22		Work in progress - as per # 12
	15	Advance renewable energy project	Resource consent lodged	May-22		Commercial discussions in progress; RC structure defined; Work in progress
	16	Proactively engage with Hawke's Bay community, local and central government and other key stakeholders	Supportive environment for wider airport	Recurring		Ongoing Work in progress

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Strategic Pillar		Activity and Outcome	Measure	Target/Date	Progress to Date	Commentary
Partners	17	Partnership/collaboration with regional leaders around sustainability outcomes	Ensure airport presence/voice at regional forums	Recurring		Ongoing Work in progress
	18	Undertake stakeholder and public consultation as part of NCC district plan review	Community to work as one team	Dec-21		Waiting NCC notification of proposed district plan which has been again delayed - as per # 11
	19	Continued collaboration with mana whenua	Regular meetings/engagement. Property partnerships	Recurring		Developing relationship with new Mana Ahuriri Trust chair
	20	Galvanise regional collaboration to effectively develop, resource and deliver an airline route development strategy for Hawke's Bay	Develop Regional Air Services Strategy in partnership with HB Tourism and other stakeholders.	Dec-22		Work in progress with Ailevon/Charteris; Origin; NPE-DUD
			Regional Economic Engagement Strategy complete			
People	21	Develop cross-functional team capability	Resources/expenses in line with financial forecast	Jun-22		Implementation of Customer Experience/Engagement role and Commercial property roles. Will struggle to hold staff costs to budget for FY22 due to CEO change
	22	Proactively engage with staff to ensure engagement and optimise wellbeing in the workplace	Staff engagement and culture survey completed. Wellbeing plan developed and implemented	Oct-21		Wellbeing survey and workshops completed. Ongoing wellbeing actions being implemented
	23	Continue to build on success of ambassador programme	>85% of existing ambassadors complete two years of service	Recurring		Ongoing work in progress. Covid impacted in Q1 & Q2 as ambassador offsite until safe to return
	24	Invest in team development and training	Training and development programme	Recurring		Appointment two new CAA Senior Persons completed replacing departed CEO and Operations Manager
Financial	25	Achieve financial and operational targets as per SOI	SOI FY2021-22 with a focus on reducing cost and optimising revenues			
	26		Pax movements	527K		
	27		NPAT	\$209K		
	28		Revenue	\$7.9M		
	29		EBITDA margin	>47%		