

21 September 2020

## **Air New Zealand Ltd (AIR)**

The company will hold its Annual Shareholders Meeting **1.00pm Tuesday 29 September 2020**.

To join the meeting go to <https://virtualmeeting.co.nz/> and click on the AIR meeting.

The trading difficulties of the company as a result of Covid-19 have been well covered in the media. Passenger numbers and revenue declined sharply from early 2020. The outlook is still uncertain and likely to remain so until the ongoing impact of Covid-19 is clearer. Domestic air travel has recovered somewhat but is still subject to restrictions and international is severely restricted.

The company reported passenger revenue was down 74% in April to June with cash burn \$175 million per month, some of this related to ticket refunds. Cash burn eased to \$85 million in July and the short-term projection is a burn rate of \$65 to \$85 million per month.

The Government which holds 51.91% of the shares has made a \$900 million facility available to the company although the terms are stringent with interest rates of 7% to 9%. The facility is for up to 24 months and allows for capital raising and for the Government to convert the facility to equity. In August, the company had short term liquidity of \$1.1 billion including the facility.

The company will reduce its employee numbers by around 4000 and defer or cancel \$700 million of capital expenditure to meet anticipated demand through to 2023.

Offsetting the decline in passenger numbers the company reports ongoing strong cargo demands for inwards and outwards goods. During the year, the CEO Christopher Luxon resigned and was replaced by Greg Foran.

Operating Revenue was down 16% at \$4.8 billion with a Net Loss, the first in 18 years of \$454 million compared to a NPAT of \$276 million. There was no dividend paid and one condition of the Government facility is that no dividend is paid while that facility remains in place.

The shares are trading at \$1.355 and have traded through a range of \$0.80/\$3.05 over the past year. The company is unable to give guidance for FY21 due to the current uncertainty around Covid-19.

### **Board Composition**

The Board comprises an Independent Chair and 7 Independent Directors. During the year Tony Carter, former chair, and Sir John Key retired and 3 new Directors were appointed. We consider the Board's skill sets to be appropriate to the business.

## Resolutions

### 1. To re-elect Linda Jenkinson as an Independent Director.

Linda Jenkinson was appointed to the Board in 2014. She was co-founder of John Paul, and is Chair of Guild Super, Jaxsta (JXT.AX) and Unicef Aotearoa NZ. She is a director of the Eclipz Group, Australia, and Harbour Asset Management. She is a graduate of Massey University and has been named a World Class New Zealander by Kea.

We will vote undirected proxies **IN FAVOUR** of this resolution.

### 2. To elect Laurissa Conney as an Independent Director.

Laurissa Conney was appointed to the Board in October 2019 and is therefore required to offer herself for election. She is Chair of Tourism Bay of Plenty, a Director at AWF Madison and a Trustee on Ngāi Tai ki Tāmaki's Charitable Investment Trust.

We will vote undirected proxies **IN FAVOUR** of this resolution.

### 3. To elect Dean Bracewell as an Independent Director.

Dean Bracewell was appointed to the Board in April 2020 and is therefore required to offer himself for election. He was Managing Director of Freightways for nearly 20 years. He is a Director of Tainui Group Holdings Limited, Property for Industry Limited and the Halberg Foundation.

We will vote undirected proxies **IN FAVOUR** of this resolution.

### 4. To elect Larry De Shon as an Independent Director.

Larry De Shon was appointed to the Board in April 2020 and is therefore required to offer himself for election. He is a director of The Hartford Financial Services Group Inc, a Fortune 500 company. He was CEO of Avis Budget Group and had 28 years with United Airlines.

We will vote undirected proxies **IN FAVOUR** of this resolution.

## Proxies

**You can vote online or appoint a proxy at <https://vote.linkmarketservices.com/AIR/>**

Instructions are on the Proxy/voting paper sent to you.

Voting and proxy appointments close **1.00pm Sunday 27 September 2020.**

**Please note you can appoint the Association as your proxy. We will have a representative attending the meeting.**

## The Team at NZSA