

STATEMENT OF INTENT 2021/22

**HAWKE'S BAY AIRPORT
LIMITED**



INTRODUCTION

This Statement of Intent ("SOI") is prepared by the Board of Directors of Hawke's Bay Airport Ltd ("HBAL") in accordance with Section 64(1) of the Local Government Act 2002.

This SOI sets out the objectives, the nature and scope of the activities to be undertaken by Hawke's Bay Airport, and the performance targets and other measures by which the performance of the company may be assessed in relation to its objectives.

Hawke's Bay Airport's achievements against the objectives outlined in last year's Statement of Intent are referred to in this year's annual report.

The SOI is a public and legally-required document, reviewed and agreed annually with shareholders, and covers a three-year period. This SOI covers the period from 1 July 2021 to 30 June 2024.



Hawke's Bay Airport was officially opened on the 15th of February 1964. The first commercial flight was a National Airways Corporation DC-3 from Wellington.

Today, Hawke's Bay Airport is the third busiest airport in the North Island and plays an essential role in connecting the region's people and produce with the wider national and international economy.

The Hawke's Bay region stretches from Wairoa in the north to Waipukurau in the south. At the 2018 New Zealand Census, the region had a population of 166,368.

Hawke's Bay has a long and proud history. Māori first settled in the area around 1250-1300 AD and today represent over 26% of the population. The region's largest iwi is Ngāti Kahungunu.



HISTORICAL SNAPSHOT



1931

Earthquake

The Napier Earthquake raises the land that now houses Hawke's Bay Airport. Prior to this the airport location was a tidal lagoon and a popular sailing and fishing location.

1964

Official Opening

The airport is officially opened on Feb 15 1964 with a 1310m runway capable of handling jet-prop aircraft.

2013

Runway Extension

A \$5.5m runway extension is completed. This increases length from 1310 to 1750m making it capable for domestic jet services.

457K

2008

HBAL Established

A heads of agreement was signed between The Crown, Hastings District Council and Napier City Council to set out the terms under which the airport company would be established.

476K

492K

2015

Jetstar commence scheduled services to Hawke's Bay

2016

Deed of Settlement

Deed of Settlement signed between The Crown and Ahuriri Hapu. Hapu offered the post-settlement right to purchase the Crown's share in HBAL.

564K

645K

2017

Terminal Redevelopment

The multi-million dollar terminal redevelopment project commences amidst unprecedented passenger growth.

697K

2019

HBACL Formed

HB Airport Construction Ltd is formed following the collapse of the terminal project's main contractor. Construction recommences inside 3 weeks.

750K

2019

Sustainability Framework

HBAL board approve a sustainability framework to shape future decision making.

Nov 2019

Jetstar exits

Jetstar withdraws services from regional New Zealand including Hawke's Bay.

Mar 2020

COVID-19

Flights are canceled and construction halted as the nation enters lockdown in response to COVID-19

Apr 2020

Construction

Recommences

The terminal redevelopment recommences as COVID-19 lockdown measures are relaxed.

Jan 2021

Airport Carbon

Accreditation

Level 2 accreditation (Reduction) gained under the internationally recognised Airport Carbon Accreditation program.

Q4 FY21

Construction Complete

Scheduled date for completion of Terminal Redevelopment

OWNERSHIP & GOVERNANCE

Governance sits with the Board of Directors of Hawke's Bay Airport Limited, which is responsible for the strategic and overall direction of the company. Directors are appointed by the company's shareholders: Napier City Council (26%), Hastings District Council (24%) and the Crown (50%).

BOARD COMPOSITION

The Board has four directors, two of whom are appointed by the Napier City Council and the Hastings District Council and two of whom are appointed by the Crown. The Board meets regularly with management to review the company's performance and provides quarterly, half-yearly and annual business performance reports to shareholders.

ROLE OF THE BOARD OF DIRECTORS AND GOVERNANCE OBJECTIVES

In carrying out its principal function, the Board's specific responsibilities and objectives include:

- Ensuring that the company has adequate management resources to achieve its objective, to support the CEO, and has a satisfactory plan for management succession in place;
- Reviewing and approving the strategic, business and financial plans prepared by management and developing a depth of knowledge of the company's business so as to understand and question the assumptions upon which such plans are based and to reach an independent judgement on the probability that such plans can be achieved;
- Reviewing and approving material transactions not in the ordinary course of the company's business;
- Reviewing operating information to understand at all times the state of the health of the company;
- Considering management recommendations on key issues, including acquisitions and divestments, restructuring, funding and significant capital expenditure;
- Approving policies on and overseeing the management of strategic business risks, safety, sustainability, occupational health, and environmental issues with the following aims:
 - To manage risk throughout the company's operation in order to protect its shareholders, employees, assets, earnings and reputation;
 - To comply with all relevant legislation;
 - To encourage employees to actively participate in the management of environmental and occupational health and safety issues,
 - To employ consultants where required to raise standards or improve existing conditions,
 - To use energy and other resources efficiently, and
 - To encourage the adoption of similar standards by the company's principal suppliers, contractors and distributors;
- Approving and fostering a corporate culture which requires management and every employee to operate to the highest level of ethical and professional behaviour;
- Setting and monitoring adherence to major policies, including capital investment, treasury, accounting and financial, executive remuneration, and delegated authority limits;
- Approving the appointments by, or at the request of, the company (including its affiliates) to the boards of subsidiary and associate companies;
- Monitoring the company's performance against its approved strategic, business and financial plans and overseeing the company's operating results on a regular basis so as to evaluate whether the business is being properly managed;

- Ensuring ethical behaviour by the company, the Board and management, including compliance with the company's constitution, the relevant laws, and the relevant auditing and accounting principles;
- Reporting to shareholders on its stewardship. Information is to be communicated to shareholders through:
 - The annual report, which is distributed to all shareholders. The Board is to ensure that the annual report includes relevant information about the operations of the consolidated entity during the year, changes in the state of affairs of the consolidated entity and details of future developments, in addition to other disclosures required by the Companies Act and financial reporting requirements;
 - Results announcements regarding the annual, quarterly and half-yearly results;
 - Annual statement of intent;
 - Media releases;
 - The annual meeting, and other shareholder meetings called to obtain approval for Board actions as appropriate. The company will provide notification of shareholder meetings at least 20 working days prior to the meeting and not later than 15 months after the previous meeting; and
 - The company's website.
- Ensuring that shareholders can easily communicate with the company, including providing shareholders with the option to receive communications electronically;
- Ensuring that the company's shareholder reporting meets the requirements of the Owner's Expectation Manual which can be found on the Treasury's website <https://treasury.govt.nz/publications/guide/owners-expectations>, including:
 - Ensuring that financial reporting is balanced, clear and objective. The Board should explain to shareholders how operational and financial targets are measured;
 - Ensuring that the company provides non-financial disclosures to shareholders at least annually. These should consider environmental, economic and social sustainability factors and practices;
 - Ensuring that the company reports to shareholders on material risks facing the business and how these are being managed. Reporting should disclose how the company manages its health and safety risks and the performance and management of those risks;
 - Ensuring that the company discloses any internal audit functions.
- Select and (if necessary) replace the CEO;
- Assess, from time to time, its own effectiveness in carrying out these functions and the other responsibilities of the Board.

VISION, MISSION AND VALUES

Hawke's Bay Airport's objective is to be a critical transport hub enabling and connecting businesses, tourists, residents, freight, medical services and general aviation both domestically and internationally. The company's strategic planning process is predicated on its focus on sustainability as part of its DNA.

VISION

TE WHĀINGA

New Zealand's most vibrant and successful regional airport

Te taunga rererangi ā-rohe ngangahau, angitu katoa o Aotearoa

Hawke's Bay Airport will achieve its vision by delivering against its mission of enabling safe, customer-focused and sustainable land and air transport services in and out of Hawke's Bay.

Its success in working towards this vision will be measured by performance across the five strategic pillars of its business.

In mid-2018, the Hawke's Bay Airport Board approved a reviewed strategic plan for the company, identifying key focus areas needed to deliver its vision.

This document identifies specific activities and measurable targets for each pillar. These have been developed in alignment with the company's values and sustainability framework.

VALUES

NGĀ UARATANGA

Safety first

Mātāmua ko te haumarutanga

We look to the horizon

Ka titiro mātau ki te pae

Striving for continued commercial success

Te ngana kia rite tonu te angitu ā-arumoni

Care and respect for our people

Te manaaki me te whakaute i te tangata

Customer-focused

Te aro-kiritaki

Environmentally responsible

Te haepapa ki te taiao

Sustainability is part of our DNA

STRATEGIC PILLARS

NGĀ POU O TE RAUTAKI



OPERATIONS/NGĀ WHAKAHAERE

Ensuring a safe, rewarding and delightful journey for our travellers. Striving for excellence in everything we do.



COMMERCIAL/TE ARUMONI

Maximising the returns across our aeronautical business whilst delivering greater value and a strong sense of place.



PROPERTY/NGĀ RAWA

Making the best use of our land whilst safeguarding our airport to optimise returns and increase value to our shareholders.



PARTNERS/NGĀ HOA

Engaging with our customers, stakeholders, business partners and community to grow our airport in a way that benefits everyone. A great place to do business.



PEOPLE/NGĀ TĀNGATA

Working together to get the best outcomes from our people and community. A great place to work and live.



SITUATIONAL OVERVIEW & THE FLIGHT PATH TO RECOVERY

Hawke's Bay Airport is situated approximately 10 minutes from Napier City's central business district (CBD) and 20 minutes from Hastings. The airport is predominantly serviced by Air New Zealand and generated record growth of 750K passenger movements in the 2018/19 year.

The withdrawal of Jetstar turboprop services in Q2 2019 and the catastrophic impact of COVID-19 during 2020 pushed passenger numbers back to pre-Jetstar levels.

It is estimated that 87% of movements are to other New Zealand cities. Approximately ten per cent of movements relate to international passengers – inbound and outbound – which have reduced to zero since COVID-19's first impact in April 2020.

Hawke's Bay Airport continues to evolve by adjusting to the various processes and procedures necessary to ensure the effective and safe management of New Zealand travellers throughout its facilities.

With some uncertainty around when New Zealand borders will reopen, Hawke's Bay Airport is committed to working with key stakeholders and business partners such as Air New Zealand to ensure the recovery of domestic and international air travel. Although recovery has bounced back 30% stronger than anticipated on its key domestic trunk routes, Hawke's Bay Airport forecasts its recovery with a degree of reserved optimism. With strong demand for domestic travel, return to profitability and passenger numbers is anticipated to be much quicker than forecast in the preceding Statement of Intent.

An area of prime importance for Hawke's Bay Airport is the continued work on strengthening its core business through a strong focus on both expanding opportunities for new and additional services with Air New Zealand and exploring opportunities for the expansion of connections with the rest of New Zealand. The company is also cognisant of the regional economic benefit of attracting airline competition to Hawke's Bay and the need to maintain cost effective services for airline partners and passengers.

While the probability of a second major airline entering the market in the next 1-5 years is seen as low, airline competition remains a desirable outcome for the region and Hawke's Bay Airport is partnering with local bodies on the development of a regional air services strategy.

Passenger forecasts were revised in late December 2020, with November 2020 indicating passenger numbers at 63% of the same month in 2019. Removing the effect of the departure of Jetstar, the passenger numbers for November 2020 were 72% of 2019. The FY21 year-end is expected to deliver somewhere between 420K to 450K passengers, with an increase of approximately 20% expected by FY22 year-end. Passenger split is understood to be approximately 45% business, 35% leisure and 20% visiting friends and relatives.

COVID-19 cases during 2020 were lower and the New Zealand economy performed a lot better than expected, with the exception of the tourism and international education sectors. Forecast assumptions are based on trans-Tasman borders and a slower international border reopening in the latter part of 2021. The passenger growth assumptions adopted for the FY2022-2024 period of this SOI have been informed in consultation with industry forecasting experts and reviewed specifically in light of the inconsistency in forward demand, lack of international travel and secondary economic impacts of COVID-19. In the medium term, additional passenger growth will be moderated by the availability of Air New Zealand's existing fleet. The forecast assumes some growth from smaller regional airlines.

Hawke's Bay Airport believes that its strong focus on strategies of revenue diversification and resilience underpin a sound foundation for revenue recovery and balance sheet growth. These strategies will create enhanced financial returns and maximise value to shareholders through an appropriate balance of dividends and reinvestment.

Currently, a positive net profit after tax result is forecast for the upcoming 2021/22 financial year and subsequent periods. These forecasts are included in this Statement of Intent and will remain conditional on New Zealand and the wider international community's continuing success in the battle against COVID-19.



TERMINAL EXPANSION PROJECT

Hawke's Bay Airport will open a brand new terminal facility to the public in 2021, providing enhanced amenities, ample room for passenger growth, and the capacity to meet future regulatory changes. The upgraded terminal will be able to cater to 1-1.1 million passengers per annum, and the revamped forecourt will enhance safety, security, and the flow of passengers and vehicles.

The new facility will invoke a strong sense of place, reflecting Hawke's Bay's regional identity. The airport has been described as 'the marae for all', emphasising its importance to not only economic development but community wellbeing, and Hawke's Bay Airport has worked closely in collaboration with tangata whenua, in particular Mana Ahuriri, on the project. The redevelopment supports over 200 local construction jobs.

In Q1 2019, the airport's lead construction contractor, Arrow International, went into voluntary administration. Hawke's Bay Airport established a wholly-owned subsidiary, Hawke's Bay Airport Construction Limited, employing the existing sub-contractors and enabling the terminal expansion to progress with minimal programme and budgetary impact.

The construction of the terminal is now well underway, with Stage 1 completed in January 2019 and Stage 2 completed in November 2019. The site was temporarily shut down for five weeks during COVID-19 Alert Level 4, but resumed on 28th April 2020 with a view to minimising the financial risks associated with protracted delays. The final Stage 3 is due to be completed in Q4 2021.

The next significant infrastructure development is the expansion of apron aircraft parking stands, which was planned to commence in FY21/22 but has been deferred to FY24/25 as a result of the revised aeronautical forecast.



REGIONAL VALUE

Hawke's Bay is a specialised regional economy with a relatively stable population. The region is New Zealand's largest producer of apples, pears, stone fruit and squash. Hawke's Bay farms produce premium beef and lamb, which is exported to markets around the world. It is New Zealand's oldest and second largest wine-growing region.

Hawke's Bay is a beautiful part of Aotearoa New Zealand, with picturesque landscapes and natural resources creating a unique environment. This plays a big part in attracting innovative people and businesses to the region.

Airports around the world have been shown to play an increasingly important role in the economic life of regions and nations, with far-reaching economic effects. Their impact is felt beyond the direct supply chains of airports themselves. In fact, airports provide connections. At the core, these connections are about mobility – moving people and cargo between points, enabling businesses and entrepreneurs to connect, share ideas, link production processes, generate wealth and lift standards of living.

As a strategic regional asset, Hawke's Bay Airport enables opportunities for economic growth and improved connectivity for Hawke's Bay businesses, community members and tourists, and is identified as a specified Lifeline Utility. For a community that is geographically separated from New Zealand's main cities, the airport plays an important and high profile role and will be a key contributor to the region's COVID-19 recovery.

The current GDP growth forecast for FY21-FY25 (as at December 2020) is strong, which provides a basis for solid domestic and outbound international travel when the borders reopen. Accelerating GDP growth expectations for the next three years would benefit Hawke's Bay Airport's post-COVID recovery growth.

Hawke's Bay Airport is a key contributor to the economic growth of the region and supports the Matariki REDS vision of making Hawke's Bay New Zealand's most innovative region, the leading exporter of premium primary produce, and a hub for business growth.

The Matariki – Hawke's Bay Regional Economic Development Strategy (REDS) and Action Plan applies to the geographical areas of Napier City, Hastings District, Central Hawke's Bay District, Wairoa District and small parts of the Rangitikei and Taupō districts. The boundary is consistent with Hawke's Bay Regional Council boundaries.

In mid-2021 and subsequent to the impacts of COVID-19, management intends to complete a full economic review of the benefits to the broader region provided by air services to and from Hawke's Bay Airport and the aspirations for airport-based property and renewable energy development.



[1] ME Consulting, October 2017

[2] CIAL December 2020 Forecast Report

COMMERCIAL STRATEGY

The airport has long identified its heavy reliance on aeronautical and passenger-derived revenue as a risk. The impact of COVID-19 and the withdrawal of Jetstar has graphically reinforced the need for Hawke's Bay Airport to advance its non-aeronautical commercial aspirations to improve revenue resilience.

For this reason, the commercial development of airport property and other land-derived revenue streams is a key area of focus for the business in 2021-22. Work is already well-advanced on the development of a property precinct plan to ensure an appropriately-aligned development mix on the 223 hectares of airport land. This will enable a pipeline of prospective developments for non-aeronautical land use to be in place by the end of 2021.

Hawke's Bay Airport is a critical transport hub, essential to enabling and connecting businesses, tourists, residents, freight, medical services and general aviation, both domestically and internationally.

With the airport located in close proximity to the port, rail links, and main roads north and south of the region, and external factors such as the potential for increased freight movement and the very limited availability of land suitable for commercial or light industrial use in Napier City, Hawke's Bay Airport is working to bring a commercial property proposition to market this year.

In line with the Napier and Hastings District sub-regional industrial land strategy, it is envisaged that Hawke's Bay Airport will progress land development opportunities with reference to the region's wider economic development and spatial planning objectives.

LARGE SCALE SOLAR FARM

Hawke's Bay Airport has been investigating the potential of a renewable energy project on its land for some time and has identified the development of a commercial solar array as an effective way of leveraging the value of land that is restricted in the type of development possible. The objective is to diversify revenue and advance the airport's goal of achieving carbon neutrality.

The airport is identified as an important industrial location for freight and logistics and as a potential option for industrial land in Napier. Opportunities for collaboration with Mana Ahuriri exist for land to the north of the airport.

These initiatives are intended to build on the commercial revenue streams already generated through the operation of the airport terminal (e.g. food and beverage concessions, car parking and rental car agency tenancies), but without the risk of being decimated by periods of airport closure and limited aircraft landing, as occurred in 2020.

Work has been completed on a 20-year Master Plan to determine the most appropriate resource and environmental planning framework to shape the long-term strategic direction for Hawke's Bay Airport. Key workstreams include noise boundaries, aeronautical and non-aeronautical land use, terminal, runways and taxiway capacity. This work is being aligned with the Napier City Council District Plan review, which is underway.



The project is flexible and will likely be developed in stages. Energy generated will not only meet the airport's direct requirements but be available to supply its current and future tenants. Surplus energy can be sold back to the grid. To expedite the project, Hawke's Bay Airport has entered into a joint venture agreement with Waipukurau-based lines company Centralines.

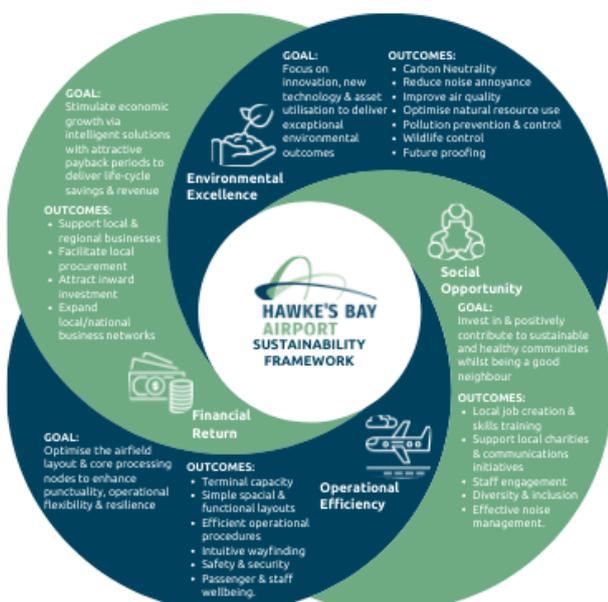
SUSTAINABLE FUTURES

While restoring financial sustainability post-COVID has been Hawke’s Bay Airport’s top priority, sustainability has also remained an important focus. The company continues to work towards its goals and deliver outcomes in alignment with its Sustainability Framework and the United Nations Sustainable Development Goals as outlined in the previous SOI.

The Hawke’s Bay Airport Board of Directors has committed to a sustainability framework which is underpinned by four key pillars:

- Financial Return/Ngā Hua Tahu; Environmental Excellence/Te Kairangi ā-Taiao;
- Social Opportunity/Ngā Āheinga ā-Pāpori;
- Operational Efficiency/Te Pai O Ngā Whakahaere.

Sustainability is at the heart of everything Hawke’s Bay Airport does and as such, the Sustainability Framework/Te Anga Whakapūmāutanga underpins its master plan and strategic planning. Through the Sustainability Framework, Hawke’s Bay Airport has placed a strong focus on renewable energy, waste reduction, sustainability and pursuing carbon neutrality. The company has committed to a long-term carbon reduction target to achieve net zero carbon emissions by 2030, supporting the government’s target to be net zero by 2050.



A strategic game changer is the proposed development of a large-scale solar farm* on airside land to the west of the runway.

Hawke’s Bay Airport is working collaboratively with partner Centralines to progress the business case for this project. The proposed solar farm would not only deliver renewable energy to the airport and help achieve the company’s carbon neutral aspirations, but could potentially supply approximately 4000 homes and provide a local source of renewable energy to regional businesses, many of whom have a growing demand for energy, and renewable energy in particular. The solar farm would enable regional decarbonisation and contribute to the resilience of the region’s electricity supply.

*Solar farm construction subject to business case



Hawke’s Bay Airport has continued its journey with the internationally-recognised Airport Carbon Accreditation programme, achieving Level 2: Reduction in January 2021 by demonstrating reductions in carbon intensity per passenger over time. It is one of 330 airports worldwide reducing emissions and improving sustainability and it is making good progress toward achieving its goals for sustainable operations.



GREEN PROPERTY DEVELOPMENT

Buildings have a significant role to play in bringing about a low carbon economy. Research shows the construction and operation of buildings and infrastructure is responsible for around 20% of New Zealand's domestic emissions.

Hawke's Bay Airport acknowledges the opportunity to achieve low carbon buildings at the design stage and supports the Green Building Council's zero carbon road map. It will work with new property tenants to:

- Measure and report operational carbon emissions from new buildings;
- Consider carboNZero building operations certification where appropriate.



CLIMATE-RELATED RISK

While responding to the COVID-19 crisis was top of mind during 2020, Hawke's Bay Airport is conscious that climate change and its impacts remain the greatest threat facing the world today. Aviation as a sector has significant challenges ahead, not least with the rise of flight shame and negative publicity around flying.

Action must be taken at all levels from individuals, companies and governments. Hawke's Bay Airport has a role to play, demonstrating leadership and taking action to reduce the environmental impact of its operations.

Attention has turned towards understanding the climate change risk facing the company. Independent advice on the physical climate risks affecting the site has been commissioned and investment in additional monitoring for key metrics such as ground water levels is planned. Hawke's Bay Airport continues to work alongside local councils and other key infrastructure providers to better understand and prepare for the impacts of a changing climate.



WELLBEING

Hawke's Bay Airport continues to place strong importance on being a good corporate citizen and employer. This year, a staff survey will be completed and flexible working arrangements will be reviewed.

Hawke's Bay Airport is proud to continue the first regional airport community-based volunteer ambassador programme, with over 30 ambassadors engaged in the programme since 2018.

KEY PROJECTS AND CAPITAL EXPENDITURE

		AIRPORT MASTERPLAN	PROPERTY & COMMERCIAL	TERMINAL & APRON	OPERATIONAL EFFICIENCY	SUSTAINABILITY
FY2021/22	Q1		 Precinct Property Development Plan	 Forecourt works complete	 Surface Transport Strategy Review	
	Q2					
	Q3	 Lodge Notice of Requirement		 Major airfield maintenance (taxiway/aprons)	 Infrastructure Development Plan	 Stage 1 solar energy development complete**
	Q4	318K				
FY2022/23	Q1	 District Plan notification	 New advertising infrastructure		 Procure new fire appliance	 Stage 2 solar energy development complete**
	Q2					
	Q3	 District Plan hearings	 Major property development**			 Level 3 Carbon Accreditation
	Q4	475K				
FY2023/24	Q1			 Landside infrastructure improvements		 Stage 3 solar energy construction complete**
	Q2					
	Q3		 Major property development**		 Carpark technology improvements	 Level 4 Carbon Accreditation
	Q4	543K				

** Subject to business case meeting internal investment/risk profile

KEY OBJECTIVES BUSINESS PLAN 2021/22

STRATEGIC PILLAR		ACTIVITY & OUTCOME	MEASURE	TARGET DATE	SDG GOAL
 OPERATIONS	1.	Operating and effective safety management system	Internal SMS tracker updated monthly To achieve zero lost time injuries	Recurring	
	2.	Practical completion of landside forecourt	Stage 3 completed	31/08/2021	
	3.	Biannual strategic risk/compliance review	Review implemented	Biannual	
	4.	Review and refine Wildlife Management Plan	Second phase plan implemented	30/11/2021	
	5.	To complete roadmap to carbon neutrality	Achieve Level 3 Airport CarbonAccreditation (ACA)	31/05/2022	
 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	30/09/2021	
	7.	Use transport strategy to inform preparation of five-year product development roadmap for carpark/ground transport - this to consider capacity, segmentation, commercial, technology and sustainability outcomes as well as supporting capex/opex requirements	Transport Strategy Roadmap endorsed by HBAL Board Capex/opex built into financial forecasts.	30/06/2022	
	8.	Grow in-terminal passenger spend rates by better meeting customer demand.	Improved ASQ scores and PSR growth PSR growth of > 10%	30/06/2022	
	9.	Build stronger relationships/ understanding with all commercial partners	Minimum 2x meetings per year with each commercial partner	Ongoing	

KEY OBJECTIVES BUSINESS PLAN 2021/22

STRATEGIC PILLAR		ACTIVITY & OUTCOME	MEASURE	TARGET DATE	SDG GOAL
 COMMERCIAL CONTINUED	10.	Develop 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 Advertising revenue growth of >40%	31/09/2021	
	11.	Work with NCC planners and local iwi to ensure HBAL interests are considered in district plan review	Successful regional collaboration District plan outcomes support HBAL master plan objectives	Recurring	
 PROPERTY	12.	Continue to refine commercial property strategic plan in alignment with RMA/sustainability framework and market demand	Activation of HBAL property strategy Precinct and market collateral in place	31/12/2021	
	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	June 2022	
	14.	Stimulate property development opportunities	>1 major property development initiated	June 2022	
	15.	Advance renewable energy project	Resource consent lodged	31/05/2022	
	16.	Proactively engage with HB community, local and central government and other key stakeholders.	Supportive environment for wider airport.	Recurring	

KEY OBJECTIVES BUSINESS PLAN 2021/22

STRATEGIC PILLAR		ACTIVITY & OUTCOME	MEASURE	TARGET DATE	SDG GOAL
 PARTNERS	17.	Partnership/collaboration with regional leaders around sustainability outcomes	Ensure airport presence/voice at regional forums.	Recurring	
	18.	Undertake stakeholder and public consultation as part of NCC district plan review	Community to work as one team.	Dec 2021	
	19.	Improved collaboration with mana whenua	Regular meetings/engagement Property partnerships	Recurring	
	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. Regional Economic Engagement Strategy complete	Dec 2022	
 PEOPLE	21.	Develop cross-team functional capability.	Resources/expense in line with financial forecast	30/06/2022	
	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	31/10/2021	
	23.	Continue to build on success of ambassador programme	>85% of existing ambassadors complete two years of service	Recurring	
	24.	Invest in team's development and training	Training and development programme	Recurring	
 FINANCIAL	25.	Achieve financial and operational targets as per SOI	SOI FY2021-22 with a focus on reducing cost and optimising revenues	End June 2022	
	26.	PAX movements	527K		
	27.	NPAT	\$209K		
	28.	Revenue	\$7.9M		
	29.	EBITDA margin	>49%		

FINANCIAL FORECASTS

The performance targets expressed here are predicated on a continuation of the recovery in domestic air travel being experienced at the time of compiling this Statement of Intent. They are based on passenger forecasts completed in December 2020 which assume a continued recovery, with passenger numbers predicted to reach pre-COVID levels in late 2022 once international passenger movements are restored following the reopening of the border.

In mid-2020, Hawke's Bay Airport concluded a pricing consultation process with Air New Zealand. A move to a per passenger charging mechanism was adopted as appropriate to acknowledge Hawke's Bay Airport's aeronautical asset values and operating costs. The new per passenger charge commenced in October 2020 and will step up again on completion of the terminal expansion.

The full benefits of the completion of the terminal expansion project and the associated enhanced passenger-related revenue streams will commence during this SOI period. This provides for a return to profit by FY22, along with substantial improvement in both return on equity and gearing levels.

Statement of Intent - Headlines and Financial Metrics

July 2021 - June 2024

	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24
Passenger Numbers	526,865	605,804	658,899
Forecast Revenue	7,933,753	9,375,673	10,499,415
EBITDA	3,956,400	5,127,194	5,934,115
EBITDA Margin	49.87%	54.69%	56.52%
NPAT	209,371	860,282	1,389,019
Net Profit after Taxation Margin	2.64%	9.18%	13.23%
Interest Coverage	6.2	7.0	7.6
Total Debt	25,400,000	23,850,000	21,350,000
Total Assets	64,609,205	63,955,961	62,484,636
Leverage Ratio	6.4	4.7	3.6
Return on Equity	0.6%	2.6%	4.0%
Gearing Ratio	43%	42%	38%
Equity %	52%	53%	56%

FINANCIAL FORECASTS

Prospective Summary Statement of Comprehensive Income July 2021 - June 2024

	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24
<i>Passenger Numbers</i>	526,865	605,804	658,899
Revenue			
Aeronautical	4,399,380	5,288,752	6,075,616
Non-aeronautical	3,534,372	4,086,921	4,423,799
Total Revenue	7,933,753	9,375,673	10,499,415
Operating Expenditure	3,977,352	4,248,479	4,565,300
EBITDA	3,956,400	5,127,194	5,934,115
Depreciation	3,039,247	3,208,002	3,247,291
EBIT	917,154	1,919,193	2,686,824
Interest Expense	587,471	685,468	718,742
Profit before Income Tax	329,683	1,233,724	1,968,082
Income Tax Expense	120,311	373,443	579,063
Net Profit after Tax	209,371	860,282	1,389,019

Prospective Summary Statement of Financial Position July 2021 - June 2024

	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24
Current Assets	976,433	1,073,691	1,147,657
Non Current Assets	63,632,772	62,882,271	61,336,979
TOTAL ASSETS	64,609,205	63,955,961	62,484,636
Current Liabilities	702,230	1,200,418	1,468,335
Non Current Liabilities			
Total Debt	25,400,000	23,850,000	21,350,000
Other Non Current Liabilities	5,497,980	5,380,380	5,307,726
TOTAL LIABILITIES	31,600,210	30,430,798	28,126,061
NET ASSETS	33,008,995	33,525,164	34,358,575
Capital and Reserves	33,008,995	33,525,164	34,358,576
TOTAL EQUITY	33,008,995	33,525,164	34,358,576

FINANCIAL FORECASTS

Prospective Summary Statement of Cashflows July 2021 - June 2024

	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24
Cashflow From Operations	3,587,781	4,696,993	5,343,780
Cashflow From Investing	(2,631,971)	(2,458,718)	(1,704,208)
Financing and Other			
Total Loans Issued	(200,000)	(1,550,000)	(2,500,000)
Interest Payments	(586,500)	(684,250)	(716,533)
Cashflow From Financing	(786,500)	(2,234,250)	(3,636,900)
Net Cash Inflow/(Outflow)	169,310	4,025	2,671
Opening Bank	(96,034)	73,276	77,301
Net Cash Movement	169,310	4,025	2,671
Closing Bank	73,276	77,301	79,972

CAPITAL EXPENDITURE

Hawke's Bay Airport continues to invest in its infrastructure in line with passenger numbers, Civil Aviation Authority security requirements and identified opportunities to grow its non-aeronautical revenue base such as its commercial precinct. The key revenue assumptions for property and solar development are subject to further analysis and therefore capex allowances have been allowed only for planning development and enabling capex until the business cases are fully assessed. As an example, allowances have been included for advancing and implementing property precinct plans.

From time to time, Hawke's Bay Airport may consider additional capital expenditure programmes if supported by a robust business case and funding capability.

Budgeted capital expenditure is summarised in the table below. Long-term capital expenditure associated with the aeronautical infrastructure is provided for as per the long-term maintenance plan prepared and updated annually by Beca Ltd.

Prospective Summary of Capital Expenditure

	2021/22	2022/23	2023/24
Airside Infrastructure & Projects	1,069,000	591,000	132,000
Landside Infrastructure & Commercial	550,000	625,000	725,000
Property & Planning	560,000	371,500	100,000
Operational Efficiency	422,000	815,000	770,000
Sustainability Related	105,000	80,000	-
	2,706,000	2,482,500	1,727,000

FINANCIAL FORECASTS

ACCOUNTING POLICIES

The accounting policies adopted by Hawke's Bay Airport are consistent with New Zealand's International Financial Reporting Standards and generally accepted New Zealand accounting practices. The policies are included within Hawke's Bay Airport's annual report, which is available on the company's website:

www.hawkesbay-airport.co.nz/about/company/annual-report

DISTRIBUTIONS

Hawke's Bay Airport believes that its strong focus on strategies of revenue diversification and resilience underpin a sound foundation for revenue recovery and balance sheet growth. These strategies will create enhanced financial returns and maximise value to shareholders through an appropriate balance of dividends and reinvestment.

Currently, a positive net profit after tax result is forecast for the upcoming 2021/22 financial year and subsequent periods. These forecasts are included in this Statement of Intent and will remain conditional on New Zealand and the wider international community's continuing success in the battle against COVID-19.

In arriving at any dividend recommendation, the directors will consider:

- The scale of the company's capital expenditure programme and therefore demands on capital for the period covered by this statement;
- The company's financial performance and the cash flows generated from operations, including impact of the terminal expansion project;
- The ratio of the company's shareholder funds to its assets;
- The company's ability to raise debt finance and the terms thereof;
- The risks associated with the uncertainty of airline schedules in the short and medium term.

Any final dividend declared will be paid no later than 31 December.

INFORMATION TO BE PROVIDED TO SHAREHOLDERS

Shareholders will receive:

An annual report including audited financial statements within three months of balance date;

- A six-monthly report including non-audited financial statements within two months of balance date;
- A quarterly report within two months of the end of each quarter;
- A Statement of Intent submitted for shareholders' consideration in accordance with the Local Government Act 2002;
- Other interim financial reports as agreed with the shareholders;
- Reports on matters of material interest to shareholders. Shareholders will continue to be kept informed of key developments, consistent with the Crown's 'no surprises' policy.

ACQUISITION PROCEDURES

The acquisition of any interest in a company or organisation will be considered when it is consistent with the long-term commercial objectives of the company. Any material acquisition will be the subject of consultation with shareholders.

Major transactions as defined by the Companies Act 1993 will require shareholder approval.

COMPENSATION SOUGHT FROM LOCAL BODY SHAREHOLDERS

At the request of the shareholders, the company may undertake activities that are not consistent with normal commercial objectives. In these circumstances, the company may seek a specific subsidy to meet the full commercial cost of providing such activities. None are contemplated in the planning period.

FINANCIAL FORECASTS

ESTIMATE OF COMMERCIAL VALUE

The value of shareholders' investment in the company as at 31 December 2020 is \$33,179,752.

The property, plant, equipment and investment property (non-current assets) owned by Hawke's Bay Airport were revalued at 30 June 2020 to their current market value of \$51.8M.

Hawke's Bay Airport will continue to undertake a revaluation approach to its assets on a regular cycle or when there has been a significant change in the market, to consider the gap between current book values of the assets and liabilities versus the commercial value of the business.



WENDIE HARVEY

Chairperson
Hawke's Bay Airport limited

30 June 2021