



MILLENNIUM

HOTELS AND RESORTS

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED

STOCK EXCHANGE ANNOUNCEMENT

2021 ANNUAL SHAREHOLDER MEETING – REMARKS BY THE CHAIR

On behalf of the Directors, I present the Annual Report and the Statement of Financial Accounts to 31 December 2020.

All of us have our own memories and experiences from a year that we have called both “unforgettable”, “abominable” and “devastating” in the same breath. While I am sure that most of us would like to put the past year behind us, I would like to recap a few of the good things from the Board’s perspective in 2020.

We all saw the best of our people during the worst of times. In our annual report, we featured a few of the stories from 2020 and you saw the “can do” attitude, the positive spirit and the determination to provide the best possible service with warmth and professionalism.

On behalf of the Board, I would like to publicly thank all of our staff at all of our hotels and our corporate office once again for all of their work during 2020 and now. I am sure all of our shareholders feel the same way and would like to extend their thanks as well.

Our results for 2020 were better than forecast when you consider that when the initial impact of the pandemic was felt, we were certain that the outcome at half year and year end would be a substantial loss. As we have pointed out before, the overall result was helped by a one-off non-cash tax-credit and strong contributions from CDL Investments and from our Australian operations.

Our core hotel operations in 2020 were in fact profitable and recorded a small profit of \$1.9 million. Our total occupancy over last year was 39.2% and we managed to maintain a Revenue Per Available Room (RevPAR) of \$66.17 which we think is a very positive achievement and the result of careful and targeted domestic marketing.

All of this is good news. But we need to remember that even though New Zealand might be mostly back to “normal”, industries such as tourism are not yet out of the woods.

In our results announcement and in the Annual Report, we noted that the impact of the pandemic will continue to be felt in 2021 given the fact that our international borders will stay closed to all except those within the Trans-Tasman and Pacific Travel Bubbles. We still think that will be the case now.

We have seen a small pick up in Australian visitors as a result of the Trans-Tasman Bubble, most noticeably in Queenstown, but the reality is that the Bubble is fragile and travel between Australia and New Zealand could be, and has been, suspended at a moment’s notice.

While the reasons for any suspension are completely understandable, there will inevitably be disruptions during a suspension period and those disruptions will lead to cancellations and impact on present and future revenue. If those suspensions get more frequent, it will impact on public confidence and we believe that even if things go smoothly over the coming months, it will still be some time before there is enough trust amongst the public to resume travelling as they did pre-pandemic.

We therefore cannot see a resumption of long-haul international travel to New Zealand until some time next year at the earliest and we have made our forecasts on that basis. With COVID-19 still very much a major issue around the world, it seems inevitable that our borders will (and should) remain firmly shut for this year and for a part of 2022.

MCK’s conservative approach means that we have the financial resources and balance sheet strength to endure these ongoing difficulties. This strength does allow your Board to focus on the path ahead.

We are therefore asking a lot of questions of our management team about future revenue, our strategies, our refurbishment plans and how they see the markets post-pandemic. As we have our operational expenditure under control, we have the ability to look beyond the current situation and to see how we can build our core business back.

For example, at our Board Meeting yesterday, we approved an extension to the refurbishment plans for Millennium Hotel Queenstown and Millennium Hotel Rotorua. These destinations would be the first to recover when more borders are open. Initially, we had provided for a small-scale refurbishment of a small number of rooms to meet client demand but we now feel confident enough to justify increasing both projects to accommodate additional anticipated demand.

So even though times continue to be tough for now, we do believe there is reason to be positive about the future. Our priority now is to position MCK to be able to take every advantage of growth when it returns and to translate that growth into returns to shareholders.

By reinvesting in our portfolio now, we will secure a competitive advantage with newer product and with our network of hotels across New Zealand, we believe that we will be ready to welcome the world once more when the time comes.