

MCK'S FY23 RESULT DELIVERS RETURN TO PROFIT FOR HOTEL OPERATIONS

Millennium & Copthorne Hotels New Zealand Limited (**NZX: MCK**) announced its 2023 results today and recorded a profit after tax and non-controlling interests of \$21.6 million.

Mr. Sim noted that the New Zealand hotel operations had made real progress on its "Revive and Thrive" strategy, returning to profit after recording a loss for the 2022 financial year.

"2023 was a year of trading uninterrupted by Covid lockdown measures", said MCK Chair Colin Sim. "The increased number of international flights returning to New Zealand has improved the visitor numbers and has translated into more demand, additional revenue and more profit but we are still short of the pre Covid level of tourists", he said.

"We are particularly pleased that we were able to increase the hotel operations' profit by 69% this year. That figure reflects better trading conditions from a 17.5% year-on-year overall increase in occupancy (to 61.2%) but it also reflects the hard work that has gone in to making each room as profitable as possible", he said.

Highlights during the year included:

- Settling the acquisition of the Sofitel Brisbane Central Hotel in December 2023;
- Copthorne Hotel Palmerston North hosting the winning Spanish Women's National Football Team during the key group stages of the 2023 FIFA Women's World Cup held in New Zealand and Australia;
- Hotel room refurbishments with 132 rooms completed at Millennium Hotel Queenstown, and work continuing on the remaining 70 rooms plus commencing refurbishment of 99 rooms in Millennium Hotel Rotorua;
- Commencing the recladding, reglazing and installation of air-conditioning into the Copthorne Hotel Palmerston North;
- Renewal of bank facility through to January 2027 with an increased limit of \$120.0m;
- Restaurant One80 (located in Copthorne Hotel Oriental Bay) winning the Burger Wellington competition, part of the annual Visa Wellington On a Plate food festival, beating over 200 entries from across the city.

Financial Performance & Financial Position

For the year ended 31 December 2023, MCK recorded a profit attributable to owners of the parent of \$21.6 million (2022: \$21.7 million). Of particular note, MCK's New Zealand hotel operations contributed a profit before tax of \$11.6 million (2022: \$4.0 million loss), as the 2026 Revive and Thrive strategy continues to be rolled out.

This positive turnaround reflects not only the return to open borders and uninterrupted trading, but also the sharp focus on improving profitability across our network during the year. Building on this profit growth will be key to our 2024 results. The results for CDL Investments New Zealand Limited ("CDI"), our majority-owned subsidiary, reflected a softness in the residential property markets which resulted in contributing \$18.7 million (2022: \$43.3 million) to our overall pre-tax profit numbers.

Our total revenue in 2023 was \$145.7 million (2022: \$144.2 million) and our earnings per share was 13.65 cents per share (2022: 13.72 cents per share). At 31 December 2023, MCK's shareholders' funds excluding non-controlling interests was \$547.9 million (2022: \$531.0 million). Total assets increased to \$746.8 million (2022: \$709.2 million) with net asset backing (with land and building at cost and before distributions) also increasing to 345.8 cents per share (2022: 335.4 cents per share).

New Zealand Hotel Operations

In 2023, our New Zealand hotels recorded an operating revenue of \$101.1 million (2022: \$65.2 million) for the year. This increase is pleasing and reflects a return to pre-pandemic demand patterns both domestically and internationally.

Overall, we recorded an occupancy percentage of 61.2% (2022: 43.7%) across all of our hotels and we also saw a healthy increase in average RevPAR (Revenue Per Available Room) of \$120.03 (2022: \$76.59). The RevPAR increase is pleasing given our efforts to improve the profitability of each room sold. This had been particularly challenging at the commencement of the year with a shortage in staffing levels and severe weather events impacting the ability to sustain the business demand.

Ensuring that our physical product remains competitive is important to reviving our future revenues and profits. The second stage of our refurbishment at Millennium Hotel Queenstown was completed at the end of 2023 with a further 132 rooms completed. 2024 will see additional work done on the remaining 70 rooms and 18 suites which are expected to be completed by Q3 2024. The first stage of the guest room refurbishment at Millennium Hotel Rotorua of 99 rooms is reaching completion and will be ready before the end of Q1 2024.

CDL Investments New Zealand Limited (“CDLI”)

As noted above, CDLI's 2023 results reflected some weakness in the property markets seen from the end of 2022 which carried over into part of 2023. Despite this, CDLI was still able to record an operating profit after tax for the year of \$13.5 million (2022: \$31.2 million).

CDLI has kept its dividend at 3.5 cents per share and is due to be paid in May.

Australia Update

We were delighted to complete the acquisition of the Sofitel Brisbane Central in December 2023 after announcing the acquisition in March together with our immediate parent company Millennium & Copthorne Hotels Limited (UK). While there was minimal benefit to our 2023 results given the timing of completion, we are looking forward to seeing the hotel do well over the next twelve months given its strong performance in its key market segments and very positive occupancy and room rates. As announced previously, the hotel will continue to be managed under its existing hotel management agreement and branding.

MCK continues to sell down its Zenith Residency apartments in Sydney with a total of five (2022: 5) apartments sold during 2023. We continue to own and manage 31 apartments being predominantly one bedroom units with some two – three bedrooms units. MCK will continue to sell down its interest in the Zenith Residences in 2024 and utilize these funds within its Australian operations.

Dividend Announcement

MCK's Board has resolved to declare and pay all shareholders a fully imputed dividend of 3 cents per share for 2023. The dividend, payable to all shareholders, will be paid on 17 May 2024 with a record date of 10 May 2024.

The Board has determined that the dividend balances provide a consistent level of returns to shareholders and retain sufficient cash resources required for ongoing refurbishment and other projects.

Outlook

We are entering the 2024 year with a sense of optimism, with many things to look forward to. MCK remains on track with its “Revive and Thrive” strategy with the completion of key refurbishments in Queenstown and Rotorua. New refurbishment projects at Copthorne Hotel & Resort Bay of Islands (and others currently being assessed) will see commencement during 2024 and are expected to be completed within the year. We expect them to deliver additional revenue growth as soon as they become available.

Even though we have not noticed a meaningful return of Chinese visitors, with visitor numbers steadily improving and more flight capacity into New Zealand, particularly in the high seasons, we are expecting this growth in numbers to translate into additional demand for accommodation at our key properties. We are working hard across all of our business segments to maximise the number of confirmed bookings at our properties and improve our market share throughout.

We will also have the benefit of a full year's trading from Sofitel Brisbane Central which we expect to be strong.

Our optimism is tempered with a note of caution – the cost of doing business continued to increase in 2023 and we expect these increases to continue to a lesser extent in 2024. While some of these increases can and will be partially offset by the ability to increase room rates in response to demand, we are conscious of optimising our business to ensure that our growth opportunities are not adversely affected.

We believe we are on track with our Strategy to Revive and shift to Thrive. We continue to be focused on reviving our people, products and profits throughout 2024.

Thank you

On behalf of the Board, to our loyal customers, thank you for your continued patronage throughout the year just past. We appreciate it and look forward to seeing you at one of our hotels in the very near future.

The Board and I would also like to thank everyone at our hotels and our support offices for their tireless work during 2023. We are looking forward to another productive and profitable year with all of you in 2024.



Colin Sim
Chairman

26 February 2024