

MCK interim results for six months to 30 June 2024

New Zealand hotel owner and operator, Millennium & Copthorne Hotels New Zealand Limited (MCK), has today announced its unaudited results for the six months to 30 June 2024 and reported revenue growth of 42% and an increase in net profit before tax of 88% compared to the same period last year.

As announced last week, MCK recognised a one-off non-cash deferred tax liability adjustment amounting to \$25.76m which arose from a change in tax legislation that came into effect this year and relates to the depreciation of buildings owned by MCK. The effect of the adjustment, which does not affect MCK's trading position or cash flow, meant that MCK recorded an after tax loss for the period of \$10.17 million.

MCK was able to show improving occupancy and profit in the Hotels business, despite a slowdown in demand for corporate travel and meetings. The first half of the financial year was the first time in five years where the hotels have been able to operate without the impact of pandemic restrictions, weather-related issues or large staffing shortages.

Outside of the hotel operations, MCK's majority owned property development subsidiary, CDL Investments New Zealand Limited (CDI), improved its contribution to group profit, recording a 32% increase on its 2023 profit before tax. CDI believes that the property markets have passed peak trough and are showing signs of recovery and are still targeting an improvement on their 2023 results by year end.

MCK Chairman Colin Sim, said the strong Hotels result was reflective of the hard work of the team and the successful execution of the Revive and Thrive strategy.

"Our team has worked hard to attract both international and domestic visitors, improve our hotel offer, and drive room profitability in a challenging trading environment. Despite economic headwinds and depressed demand in some regions as a result of reduced business and government demand, the good news is that tourism, particularly from overseas, continues to improve. We expect another strong result from our Hotels business in the 2024/25 high season, with CDI also expected to deliver a year on year improvement, as the number of sections sales increases over time."

Business highlights for the period include positive progress on the Hotels refurbishment programme, the inclusion of Sofitel Brisbane Central hotel in the Hotels portfolio, and the continued sell down of the Zenith apartments in Australia.

MCK's Managing Director, Stuart Harrison, said the performance of the Sofitel Brisbane Central hotel over the last six months had provided many learnings. "The hotel's trading metrics are positive. In the first quarter, the hotel saw growth in average daily rate and occupancy ahead of budget. A recent highlight for the hotel was hosting multiple teams over the NRL's Magic Round in May and the State of Origin final game in July which emphasised how popular the hotel is for sporting teams and spectators coming to Brisbane."

Results snapshot

Six months to 30 June	1H24	1H23
Average hotel occupancy across the Group	69.0%	59.8%
Group revenue	\$ 85.32m	\$ 60.05m
Profit before income tax and non-controlling interests	\$21.53m	\$ 11.47m
Profit/(Loss) after tax and non-controlling interests	\$ (11.75m)	\$ 6.18m
Profit after tax and non-controlling interests (excluding tax adjustment)	\$ 12.57m	\$ 6.18m
Earnings per share (cents per share)	-7.42 cps	3.90 cps
Earnings per share (adjusted for one-off tax adjustment)	7.94 cps	

Group revenue was \$85.32m (1H23: \$60.05m), with profit before tax and non-controlling interests of \$21.53m (1H23: \$11.47m). Group loss after tax and non-controlling interests of \$(11.75m) (1H23: \$6.18m) was impacted by a one-off non-cash \$25.76m deferred tax liability adjustment as a result of a change in tax legislation. Excluding this adjustment and other one-off items, profit after tax was \$12.57m.

Earnings per share for the period was -7.42 cents per share (1H23: 3.9 cps). Net Tangible Assets per share as at 30 June 2024 was \$3.36 per share (Dec 2023: \$3.46 per share).

Outlook

The Hotels business now has good staffing levels and more room capacity following completion of certain refurbishment works. While some regions have seen a dampening in demand, other areas such as Queenstown remain extremely strong. Economic headwinds remain challenging and there are no major tourist attractions, such as last year's FIFA Women's World Cup, planned for the winter period. These trends of dampened demand are expected to continue into the third quarter, but with a resurgence of activity from overseas visitors in quarter four.

CDL Investments 2024 sales performance is showing improvement and the company is also positioning itself for future diversification with its recent purchase of industrial-zoned land in Christchurch. MCK will see the benefits from both in the near to medium term.

Stuart Harrison commented: "One matter which is hampering our ability to optimise our future projections is the lack of any clear direction, new initiatives or funding announced by Government in relation to boosting tourism. With other countries actively competing for world-class events and receiving government funding to do so, there is a real risk of New Zealand missing out and creating a disadvantage which will take some years to fix. Our view is that such funding would be a wise investment and help the tourism and accommodation industries "get back on track" and secure their medium-term futures."

He continued: “Our team are highly focused on securing business across all market segments and in all regions for the remainder of the year and into 2025. We have set ourselves stretch targets for both revenue and profit for this year and we are determined to achieve these. Our half year profit before tax result highlights that we are making excellent progress on our strategy and laying the groundwork to truly Thrive from 2025 onwards”, he said.

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Issued by Millennium & Copthorne Hotels New Zealand Limited

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About Millennium & Copthorne Hotels New Zealand Limited

Millennium & Copthorne Hotels New Zealand Limited (NZX:MCK) is the only NZSX listed hotel owner – operator with 18 owned / leased / franchised hotels based in New Zealand under the Millennium, Grand Millennium, M Social, Copthorne and Kingsgate brands. As part of the Millennium & Copthorne Hotels group, we are proud to be part of a global network of over 120 properties in gateway cities across Asia, Europe, North America, the Middle East and New Zealand. MCK is also the majority shareholder in land developer CDL Investments New Zealand Limited (NZX:CDI) and also has property interests in Australia through its Kingsgate Group subsidiaries including a 50% ownership interest in the Sofitel Hotel Brisbane Central through a joint venture.

For more information, visit our website: www.millenniumhotels.co.nz