

GENERAL ANNOUNCEMENT::ANNOUNCEMENT BY SUBSIDIARY COMPANY, MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED

Issuer & Securities

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CITY DEVELOPMENTS LIMITED

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Submitted By (Co./ Ind. Name)

Enid Ling Peek Fong

Designation

Company Secretary

Description (Please provide a detailed description of the event in the box below)

Please refer to the Announcement released by Millennium & Copthorne Hotels New Zealand Limited on 25 May 2021 relating to (i) Remarks by Chairman of the Meeting to Annual Meeting of Shareholders; and (ii) Presentation slides at the Annual Meeting of Shareholders.

Attachments

[MCHNZ-2021 AGM Chairman Remarks and Presentation slides.pdf](#)

Total size = 1682K MB



MILLENNIUM

HOTELS AND RESORTS

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED

STOCK EXCHANGE ANNOUNCEMENT

2021 ANNUAL SHAREHOLDER MEETING – REMARKS BY THE CHAIR

Retirement of Richard Bobb:

Before I turn to the main business of the meeting, I would like to mention that this will be Richard Bobb's last annual meeting as a director of MCK.

Richard advised the Board of his decision to retire last week. As Colin noted in the announcement we made, Richard has made some very important contributions in the time he has been with MCK.

He has been the Chair of the Audit Committee since he was appointed and has brought his extensive knowledge of accounting and taxation to the Committee and to the Board.

Richard has also been a director of our Australian subsidiaries as well. He has helped us weather a number of difficult events internationally and in both New Zealand and Australia.

Thank you, Richard, for your service as an Independent Director since 2004 and we all wish you well for the future.

Presentation of Annual Report and Financial Statements:

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.



MILLENNIUM

HOTELS AND RESORTS

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 remain 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.

**WELCOME TO
OUR WORLD OF
HOSPITALITY**

36th Annual General Meeting
25th May 2021


More than Meets the Eye



WELCOME


- Welcome to this Virtual Meeting.
- The Meeting Chair is Graham McKenzie.
- Board of Directors are attending remotely:
 - Colin Sim (Chairman)
 - B K Chiu (Managing Director)
 - Richard Bobb (Independent Director)
 - Kevin Hangchi (Director)
 - Eik Sheng Kwek (Director)
 - Leslie Preston (Independent Director)

More than Meets the Eye 2




- Quorum.
- Apologies will be recorded in the minutes.
- Proxies.
- Minutes of the 35th Annual Meeting.
- Notice of Meeting taken as read.


More than Meets the Eye 3



Richard Bobb retiring from the Board




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2020 – the year of the pandemic

“Bend.....don’t break”



More than Meets the Eye 5



We saw the best of our people in 2020



More than Meets the Eye 6



**Thank you to all MCK staff across New Zealand
for all your work in 2020**

More than Meets the Eye 7

Summary of MCK's 2020 Results

- Our results for 2020 were better than forecast.
- Overall result was helped by a one-off non-cash tax-credit, and strong contributions from CDL Investments and from our Australian operations.
- Core hotel operations in 2020 recorded a small profit of \$1.9 million.
- Total occupancy over last year was 39.2%.
- Revenue Per Available Room (RevPAR) of \$66.17.

More than Meets the Eye 8

Outlook for 2021

- Impact of the pandemic will continue to be felt in 2021.
- International borders will stay closed for now.
- Small pick up in Australian visitors as a result of the Trans-Tasman Bubble.
- Disruptions will lead to cancellations and impact on present and future revenue.
- Seems inevitable that our borders will remain shut for this year and for a part of 2022.

More than Meets the Eye 9

Outlook for 2021 (cont...)

- We have the financial resources and balance sheet strength to endure these ongoing difficulties.
- We have the ability to look beyond the current situation.
- Board has approved an extension to the refurbishment plans for Millennium Hotel Queenstown and Millennium Hotel Rotorua.
- Priority now is to position MCK to be able to take every advantage of growth when it returns.

More than Meets the Eye 10

MILLENNIUM
HOTELS AND RESORTS

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More than Meets the Eye 11

MCK 2020 Group Results

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Group Revenue (\$m):	172.0	229.7	218.8
EBITDA (\$m):	60.4	94.0	91.3
Profit Before Tax (\$m):	50.9	85.4	85.1

- Border closure and lockdowns impacted sales in hotels.
- Deferred tax credit (\$20m) from reintroduction of tax depreciation on buildings was booked into profit and loss.
- Property interests in CDL Investments and KIN Holdings, Australia cushioned the group's results.

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Hotels: April YTD Trading

	2021	2020	2019
• Hotel Revenue:	\$20.1m	\$31.6m	\$47.6m
• Occupancy:	39.9%	57.5%	89.1%
• Average Room Rate:	\$158	\$184	\$176
• RevPAR:	\$63	\$105	\$157

- April 2019 should be the benchmark.
- Two hotels remain closed.
- Revenue loss from 2 lockdowns in February and March.
- Copthorne Hotel Palmerston North, Copthorne Hotel Wellington Oriental Bay, Millennium Hotel New Plymouth and Kingsgate Hotel Dunedin all traded better than 2020.
- M Social and Grand Millennium Auckland remain managed isolation facilities.
- Trading improvement trends seen at Copthorne Hotel Bay of Islands, Millennium Hotel Rotorua and Copthorne Hotel Queenstown, Lakeview.

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Cash Management

- Positive cash flow April YTD.
- Cash / term deposits \$39m.
- Bank line of credit \$60m (\$56m unused).
- Current Ratio 1.9.
- LVR 2.03%.
- Debt to asset ratio 2.6%.
- Proceeds from sale of Christchurch land received in May.
- MCK has ability to access extra bank funding for growth opportunities.

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Recovery Runway

- Retaining experience and expertise as selective recruiting commence.
- Trans-Tasman border opening will benefit upcoming ski season and group tours in summer.
- Skills shortage an issue notably in Queenstown.
- Encouraging sales from domestic direct bookings, Away To Go vouchers and from marketing partnerships.
- More but smaller residential meetings across locations versus large conferencing events at one venue.



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Recovery Runway (cont...)

- Major Capex plan tailored to recovery by 2024. Paced approach recognising the fragility of border openings.
- Stage 1, Millennium Hotel Queenstown refurbishment to be ready for summer.
- Stage 1, Millennium Hotel Rotorua refurbishment to be ready for summer.
- Kingsgate Hotel Greymouth, demolition of 1906 wing completed. Reception, restaurant to relocate to Tower wing. Hotel to be a 4 star Copthorne.
- Copthorne Hotel Queenstown, Lakefront, roof and strengthening works completed.

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More than Meets the Eye 17



More than Meets the Eye 18

CDL Investments 2020 Sales

Increased demand for residential sections saw more sales in Christchurch.

	2020	2019	2018
Sales (\$m)	88.8	91.8	85.0
Profit before tax (\$m)	41.8	47.3	46.7

Section sales were from:

- Prestons Park, Christchurch
- Magellan Heights, Hamilton
- Kewa Road & Dominion Road, Auckland

19

April 2021 YTD Sales

Sections developed in late 2020 enabled a large lift in sales in first four months of 2021.

- Sales \$35.7m (\$18.8m in 2020)
- Sales were from:
 - Prestons Park, Christchurch
 - Dominion Road, Papakura
 - Kewa Road, Auckland
- Last section sold at Magellan Heights, Hamilton.

20

- Cash & term deposits: \$122m
(as at 30 April 2021)
- Quick ratio* 10.7
- No bank borrowings

* $\frac{\text{Total current assets less inventory}}{\text{Total current liabilities}}$

21

WORK IN PROGRESS

<p>Christian Tram Valley Road, Swanson, Auckland</p> <ul style="list-style-type: none"> ▪ Earthworks drainage & utility services completed. ▪ Subdivision roads being constructed ▪ Titles to issue in Q1, 2022 	<ul style="list-style-type: none"> ▪ Stage 4: <ul style="list-style-type: none"> - C1-C2, construction completed. Titles in July 2021. All sold pre-title. - D1-D3, construction underway. Titles in September 2021. ▪ Stage 5: Earthworks underway
<p>Prestons Park, Marshlands / Burwood, Christchurch</p> <ul style="list-style-type: none"> ▪ Construction progressing. ▪ Completion Q4, 2021 	<ul style="list-style-type: none"> ▪ Last stage 27 all sold bar 1
<p>Prestons Commercial (15 units, F&B + Retail)</p> <ul style="list-style-type: none"> ▪ Construction completed. ▪ 3 units leased 	<ul style="list-style-type: none"> ▪ Lot 1: Warehouse under construction. Leased. ▪ Lot 2: Sold. ▪ Lot 3: Sold.
<p>Stonebrook, Rolleston, Selwyn</p> <ul style="list-style-type: none"> ▪ Construction completed. ▪ 3 units leased 	
<p>Roscommon Road, Wiri</p> <ul style="list-style-type: none"> ▪ Construction completed. ▪ 3 units leased 	
<p>South Auckland Commercial site</p> <ul style="list-style-type: none"> ▪ Construction completed. ▪ 3 units leased 	

22

CDL Hamilton Subdivisions

23

<p>Gordonton Road, Hamilton</p> <ul style="list-style-type: none"> ▪ Awaiting Hamilton Council decisions. 	
<p>Hobsonville Road, Auckland</p> <ul style="list-style-type: none"> ▪ Awaiting Whenuapai plan change by Auckland Council. 	
<p>Arataki Road, Havelock North</p> <ul style="list-style-type: none"> ▪ Final decision from Hastings Council forthcoming. 	

24

- Low mortgage rates and availability have increased demand for property including sections.
- New housing policies, border closure and migration policies will temper housing demand going forward.
- CDI pipeline supply development will continue with works in progress for 2022 sales.
- Progress at Auckland, Hamilton and Havelock North development dependent on speed of local council consents.
- Continue to increase land portfolio for development.
- CDI to deliver a profitable 2021.

CDL INVESTMENTS
NEW ZEALAND LIMITED

25

Summary

- Hotel financials stable.
- Cash flow positive results.
- Cost price squeeze and fragility of open borders call for optimising versus maximising strategies.
- Trans-Tasman border opening positive for Queenstown.
- Growth trend in smaller but more domestic business meetings across regions, positive for MCK.
- Recovery plan with hiring and refurbishments paced to a 2024 recovery.
- Lift in CDL Investment section sales April YTD will assist MCK group earnings in 2021.

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26

Election of Directors

- Election of **Leslie Preston** as a Director
- Re-election of **Kevin Hangchi** as a Director
- Re-election of **Colin Sim** as a Director

➢ Each Director needs to be individually elected.
➢ All resolutions are being conducted by way of poll.

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27

Election of Director

Election of **Leslie Preston** as a Director



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28

Election of Director

Election of **Kevin Hangchi** as a Director




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29

Election of Director

Election of **Colin Sim** as a Director



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30

AUDITORS APPOINTMENT & REMUNERATION

- No other nomination received - KPMG are reappointed as the Company's auditors.
- Resolution that the Directors be empowered to fix the remuneration of the Auditors for the year ending 31 December 2021.



CLOSE OF MEETING

Thank you for attending

