



MILLENNIUM

HOTELS AND RESORTS

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED

STOCK EXCHANGE ANNOUNCEMENT

2019 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 2018.

As I said in the annual report, the Board was pleased to see increases in revenue and profit which reflected tourism growth and MCK's continued competitiveness. In summary:

- MCK recorded an increased profit after tax of \$49.4 million;
- increased revenue of \$218.8 million; and
- a 21.7% increase gross operating profit.

These results allowed the Board to increase the dividend to shareholders to 7.5 cents per share which was paid to you on 17 May.

While we are pleased with the performance of the group in 2018, we cannot ignore more difficult trading conditions ahead in 2019. There are challenges ahead in the form of increasing numbers of hotel rooms in major cities, a very tight labour market which shows no sign of improving and the after effects of the tragic events in Christchurch in March of this year.

We do expect growth in the next two years to be slower than what we have seen in the past two or three years. This will translate through to our results but the Board remains confident that MCK can sustain its current level of earnings and market share in key segments.

MCK is also in a sound position to seek out opportunities to add to its portfolio and as I stated last year, I am keen to see MCK seek out appropriate opportunities in Australia if these are feasible.

As you know, the board has a long-term vision and we are mindful of shareholder feedback. I want to assure shareholders that we will not embark on any acquisition or transaction that will not bring significant long-term value to MCK and shareholders. The management team monitors the hotel and property markets closely on both sides of the Tasman and has looked at potential acquisitions for MCK. Nothing to date has met our investment criteria or our strategic requirements.

Our immediate focus in Australia therefore is the sale of our apartments at the Zenith Residences in Sydney and ensuring that we get the best possible returns for those.

WELCOME TO OUR WORLD OF HOSPITALITY

34th Annual General Meeting

28th May 2019

*More than
Meets the Eye*



WELCOME

- Quorum
- Board of Directors
 - Colin Sim (Chairman)
 - B K Chiu (Managing Director)
 - Kevin Hangchi (Director)
 - Richard Bobb (Independent Director)
 - Graham McKenzie (Independent Director)

More than Meets the Eye



WELCOME

- Apologies
- Proxies
- Minutes of the 33rd Annual Meeting
- Notice of Meeting

More than Meets the Eye



Annual Report and Financial Statements

For 2018, MCK reported:

- A profit of \$49.4 million
- Increased revenue to \$218.8 million
- Increased earnings per share to 31.21 cps
- 21.7% increase in gross operating profit
- Dividend increased to 7.5 cents per share

More than Meets the Eye



More than Meets the Eye



Financial Summary

	2014	2015	2016	2017	2018
Revenue (\$m)	130.1	136.5	172.0	187.3	218.8
Profit before tax (\$m)	45.0	40.0	70.5	74.9	85.1
Earnings per share (cents)	9.54	13.70	25.56	27.25	31.21
Dividends per share (cents)	2.4	2.8	5.0	6.0	7.5
Total Assets (\$m)	585.4	590.0	713.9	828.2	898.2
Group Equity	371.4	389.3	489.1	588.9	640.3

More than Meets the Eye



MCK 2018 Results

- Hotel Revenue: \$126.5m (\$105.6m in 2017)
- Occupancy: 80.9% (79.0% in 2017)
- RevPar: 11.5% increase
- Average Daily Rate: \$161.54 (\$148.25 in 2017)
- Trading growth in Auckland, Rotorua and Queenstown
- M Social Auckland first full year & excellent results
- Millennium New Plymouth within expectations

More than Meets the Eye



March 2019 YTD Trading

- Revenue increase 2.4%
 - M Social +11%
 - Millennium Waterfront +31%
 - Millennium Queenstown +6%
- Occupancy 91.3%
- 2% increase in ADR and RevPar
- 3 consecutive months of declining occupancy & rates in Auckland
 - No major events
 - Increasing hotel room inventory
- Rotorua, Wellington, Queenstown fared better than Auckland.

More than Meets the Eye



International Visitor Arrivals

	Year ended March			Change 2018 to 2019	
	2017	2018	2019	Number	Percent
Total	3,543,631	3,819,817	3,867,756	47,939	1.3
Australia	1,406,256	1,495,392	1,491,000	-4,392	-0.3
China	404,384	437,696	434,323	-3,373	-0.8
USA	312,816	340,144	362,394	22,250	6.5
UK	222,784	254,832	230,307	-24,525	-9.6
South East Asia	180,032	192,240	200,975	8,735	4.5
Germany	102,608	102,864	102,107	-757	-0.7
Japan	102,320	102,416	99,300	-3,116	-3.0
Korea	82,448	93,936	88,963	-4,973	-5.3
ROW	729,983	800,297	858,387	58,090	7.2

Source: Stats NZ

More than Meets the Eye



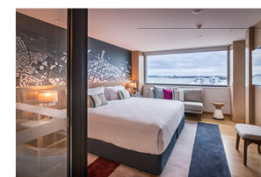
Managing Growth from Hotels

Millennium New Plymouth, Waterfront and M Social Auckland

- Product and Design
- Location, location
- Service



Millennium New Plymouth, Waterfront



M Social Auckland Suite

More than Meets the Eye



Refurbishments Plan 2019 -2020

- Millennium Rotorua
- Millennium Queenstown
- Kingsgate Greymouth conversion to Copthorne



More than Meets the Eye



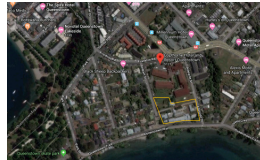
Land on Current Hotel Sites for New Hotels/Expansion

- Christchurch
- Queenstown
- Rotorua
- Wellington
- Palmerston North

More than Meets the Eye



Christchurch and Queenstown



More than Meets the Eye



Copthorne Hotel Rotorua



Copthorne Hotel Wellington Oriental Bay



Copthorne Hotel Palmerston North

More than Meets the Eye



Zenith Residence, Sydney



More than Meets the Eye



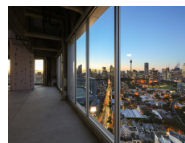
Penthouse for Sale – Zenith Residence, Sydney



More than Meets the Eye



Penthouse for Sale – Zenith Residence, Sydney

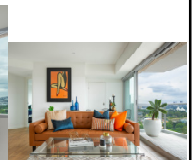
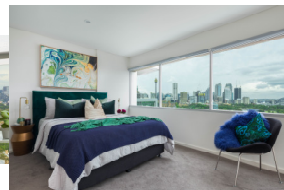


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1 & 2 Bedroom Unit – Zenith Residence, Sydney



Joshua Tan
Zenith Apartments
Ph: +61 2 9358 6855
Mob: +61 413369123

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Hospitality, Tourism and the NZ Business Environment

What is and what lies ahead?

- Benefits and the linkages of tourism
- Skillsets in a changing economy; technology
- Productivity gains & losses, duplication, waste & pseudo-activities
 - Central & local government impacts
- Managing growth in turbulent times
 - Cost of doing business
 - Working together with Tourism NZ, Air NZ, CINZ, TIA, TRENZ, Suppliers.
- REMEMBER THE CUSTOMER

More than Meets the Eye



Proposed Queenstown bed tax disguised as a "visitor levy"

"A bed tax is being suggested as the solution.....and again the burden is put on the accommodation industry when the wider community benefits. (Tourism) is an industry that brings spenders to the country, regions, cities, towns, villages and rural areas. And all New Zealanders benefits in some form or another from the industry."

Rayma Jenkins, President of the Bed & Breakfast Association, NZ

More than Meets the Eye



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- REMEMBER THE CUSTOMER

More than Meets the Eye



Queenstown bed tax: Voting papers are out

20 May 2019 By Bridget O'Connell | bridget@tourismsticker.com | @tourismsticker

"Residents from across the southern lakes region have been asked to vote to show that they either support or oppose 'the introduction of a visitor levy as an additional charge on short term accommodation throughout the district'."

The document confirms, as previously announced by the council, that the proposed levy will be a 5% charge on commercial accommodationwhich would raise \$22.5m annually.

"Should the poll (Queenstown's bed tax referendum) receive the support of ratepayers in the district, government has indicated that it will consider the legislative change necessary to allow the imposition of a local visitor levy."

More than Meets the Eye



The QLDC referendum - "Better you pay than I, you, not me."

"There's nothing more powerful than a good story *."
- Tyrion Lannister, Game of Thrones

"They don't get to choose."
- Daenerys Targaryen, Game of Thrones

* Read the narrative in Proposed Visitor Levy Information Sheet, Queenstown Lake District Council
"If support is not clearly demonstrated through the referendum and the proposed levy is not implemented, the alternative would be to significantly increase rates...of up to 35% over a ten year period..." or "a detrimental effect on the district as a whole, and reduce levels of service and investments for locals."

More than Meets the Eye



New Zealand Treasury Paper

"Strategic Intention: An Internationally Connected and Competitive Business Environment" October 20, 2016

4. New Zealand is very fortunate to have a clear and coherent broad-base, low-rate framework for taxation (BBLR). This BBLR framework was introduced in the mid-1980s and has a lot of buy-in from the wider New Zealand public. Reviews of taxation have consistently stated there should be a high burden of proof before moving away from BBLR principles.
7.considering whether to implement a new tax, the standard tax policy objectives of coherence, efficiency, equity, revenue integrity, fiscal cost, and compliance and administration costs must be considered.

More than Meets the Eye



Conclusion (Source: Treasury Papers 2016, 2017)

25. Maintaining a clear and coherent framework is very important for good tax policy. New Zealand is well served by its BBLR tax framework and we would caution against measures that are inconsistent with this. On our initial consideration **we do not consider that a border or bed tax meets the burden of proof for departing from BBLR principles**. The measures have the potential to reduce efficiency, productivity, and growth, and to erode the coherence of our BBLR framework.

26. If it is considered that there is a need to centrally fund additional infrastructure, we consider that existing tax bases would be a better source of funding rather than introducing new tax types. If there is concern about the overuse of infrastructure by tourists then we consider the better approach is likely to be charging them for the use of infrastructure directly or through targeted regulation.

More than Meets the Eye



Taxation Principles, OECD 2001

1. Efficiency through broadening tax bases by eliminating exemptions.
2. Equity, fairness
 - a) Horizontal equity
Parties in similar positions to pay similar taxes.
 - b) Vertical equity
higher incomes to attract higher taxes.
3. Enforceability

More than Meets the Eye



New regime, new norms: casting aside
principles of public policies, taxation

WE MUST QUESTION MORE

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Opposition to increased DQ funding

Otago Daily Times

2018-11-17 Thursday, 22 May 2019 Send or view a photo

News Sports Life & Style Entertainment Business Region

Wednesday, 22 May 2019

Opposition to increased DQ funding

<https://www.odt.co.nz/regions/queenstown/opposition-increased-dq-funding>

A joint submission by the general managers of the resort's two Copthorne Hotels and Millennium Hotel was one of several that suggested the council bring the organisation in-house.

The trio of Jackie Guiney, Robert Oakes and Paul Philip said the district was so busy with tourists it did not need more promotion, particularly during the high season.

The funding model for DQ looks either out of touch or irrelevant in relation to what it does.

Glenorchy Community Association chairman John Glover said it supported DQ's focus on targeting the domestic and Australian markets, but believed its staff numbers and funding were adequate.

Glenorchy commercial landlord and accommodation provider Trish Fraser said she wanted rates funding for DQ to be significantly reduced, or preferably for the organisation to "not exist at all".

A former DQ board member, Doug Champion, said it had done a "great job" in the past. However, it had been overtaken by the rise of the internet, social media and digital booking platforms, and consequent changes in companies' marketing practices.

It needed to be restructured and placed within the council.

More than Meets the Eye



Hospitality, Tourism and the NZ Business Environment

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- Productivity gains & losses, duplication, waste & pseudo-activities
 - Central & local government impacts
- **Managing growth in turbulent times**
 - Cost of doing business
 - Working together with Tourism NZ, Air NZ
 - CINZ, TIA, TRENZ, Suppliers
- **REMEMBER THE CUSTOMER**

More than Meets the Eye



At MCK, we ask and remind ourselves:

- What eats you? What feeds you?
- What do we do well?
- What can we do better?
- What we must stop doing?
- Culture of self-awareness, ownership
- We engage, enlist, collaborate

↓
Teamwork
Productivity

More than Meets the Eye





Financial Summary

	2014	2015	2016	2017	2018
Revenue (\$m)	44.2	47.6	74.5	78.7	85.0
Profit before tax (\$m)	20.5	24.2	37.5	44.7	46.7
Earnings per share (cents)	5.35	6.33	9.77	11.60	12.10
Dividends per share (cents)	2.2	2.2	3.0	3.5	3.5
Total Assets (\$m)	130.5	142.7	168.3	191.7	217.6
Group Equity	128.5	140.3	161.8	186.1	210.6

4. PERSONNEL EXPENSES

The following items of expenditure are included in administrative and other expenses:

In thousands of dollars	2018	2017
Wages and salaries	494	396
Employee related expenses and benefits	55	29
Increase in liability for long-service leave	1	1
	550	426

The Group's net obligation in respect of long-term service benefits, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using their expected remunerations and an assessment of likelihood the liability will arise.

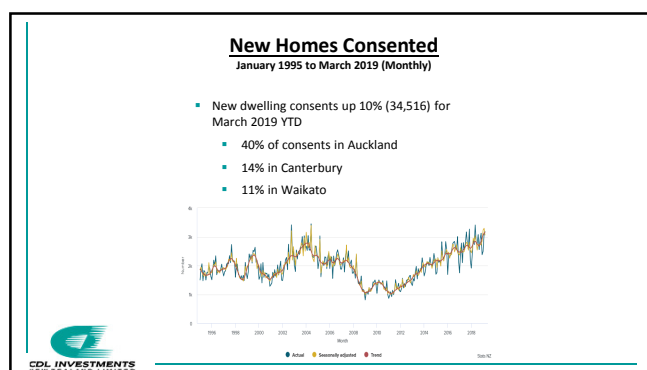
Source: CDL Investments NZ Ltd Annual Report

2018 Sales

- Sales from:
 - Greville Road, Auckland
 - Magellan, Hamilton
 - Prestons Park, Christchurch

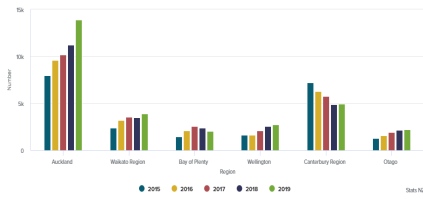
MARCH 2019 YTD TRADING

- Sales \$14.1m (\$18.2m in 2018)
- Sales settled from:
 - Greville Road, Auckland
 - Magellan Heights, Hamilton
 - Prestons Park, Christchurch
- Property market continues to soften. Risk off approach by buyers and banks.
- Underlying demand factors of home ownership are positive.



New Homes Consented (selected regions)

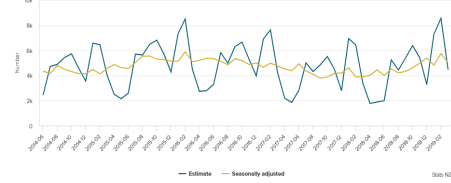
Year ended March 2015 to 2019



Net Migration (Mean Estimate)

June 2014 to March 2019

■ Annual net migration gain: 56,100 from 50,600



WORK IN PROGRESS

Greville Road, Auckland	All stages titled and sold.
Kewa Road, Auckland	Earthworks complete. Road upgrade complete. Stage 1 infrastructure underway. Titles expected November 2019.
Dominion Road, Papakura	Earthworks, infrastructure underway. Titles expected December 2019.
Crestview, Auckland	Complete, titles in March 2019. Sold.
Roscommon Road, Auckland	Earthworks, stormwater work near completion. Titles in September 2019.
Christian Road, Swanson	Resource consent granted. Construction can start October 2019.

WORK IN PROGRESS

Magellan Heights, Hamilton	Titles for stages 1 – 3 issued. Stage 4 earthworks & infrastructure complete. Retaining walls underway.
Northwood, Hastings	Stage 8B – Complete, titled May 2019. Stage 8C – Titles October 2019.
Prestons Park, Christchurch	Earthworks close to completion. Remaining stages for infrastructure underway. Prestons Park Urban Village resource consent being processed. Scheme plans for recently acquired land underway.
Stonebrook, Rolleston	Construction of last 34 lots completed, on sale now. Resource and Building consent Commercial Centre being processed.

Prestons Park Commercial Village

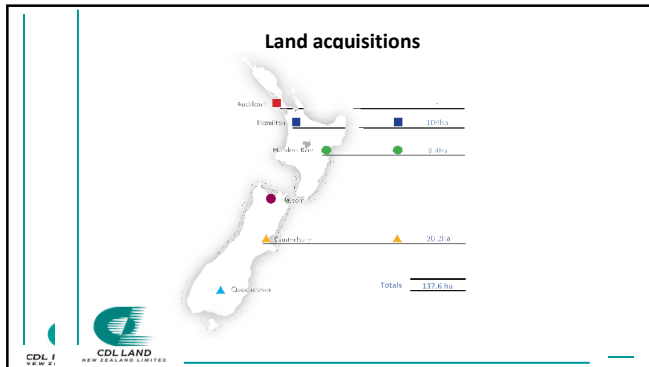
Site area 6506 sqm
Building area 2608 sqm
No. of units 15
Tenancy from Q3 (2020)



Stonebrook Commercial Area

Site area 1802 sqm
Building area 713 sqm
No. of units 5
Tenancy from Q3 (2020)





SUMMARY

- Excellent 2018 results from Hotels, CDL Investments, KIN Australia
- Easing residential sections and accommodation market in 2019
- Plans for hotels and land acquisitions at CDL Land
- Zenith Apartments, Sydney on the market
- New business environment

More than Meets the Eye



ELECTION OF DIRECTORS

- Election of **Mr Kian Seng Tan** as a Director
- Re-election of **Mr Graham McKenzie** as a Director

More than Meets the Eye



Election of Director

Election of **Mr Kian Seng Tan** as a Director

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Re-election of Director

Re-election of **Mr Graham McKenzie** as a Director

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Constitution

That the existing constitution be revoked and the company adopt a new constitution in the form tabled at the meeting and signed by the Chairman for the purpose of identification.

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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 2019.

More than Meets the Eye



General Business

More than Meets the Eye



CLOSE OF MEETING

Thank you for attending

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