



MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED OPERATIONAL & FORECAST UPDATE - 18 MARCH 2020

Millennium & Copthorne Hotels New Zealand Limited (**NZX: MCK**) today provided a detailed update to the market about the effects of the New Zealand Government's new border entry restrictions due to COVID-19 on its future hotel trading and operations.

MCK Managing Director Mr. BK Chiu said that the effects of the requirement for all arrivals into New Zealand to self-isolate which was announced on 14 March 2020 is having a significant and potentially long-lasting effect on its hotel business across the country.

"While we support and understand the measures that the Government has taken to protect the health and well-being of New Zealanders, the fact remains that we now face an existential crisis for all of our hotels, all of our staff and our shareholders", he said. "While the current restrictions apply until the end of March, the response in other countries suggests that it will continue for a lengthy period and we have made our forecasts and assumptions on this basis".

Near-term Financial Outlook:

"2020 actually started well with positive trading results in our peak months of January and February. But what we have seen in the past two days is another wave of cancellations across all of our market segments and at all of our hotels. Those cancellations are both international and domestic and are for March, April, May and June. The restrictions on public gatherings announced on Monday 16 March will also substantially affect our conferencing and meetings business for the rest of the year and possibly into 2021", said Mr. Chiu.

MCK was now forecasting that the level of hotel revenue loss for the first half of 2020 would be approximately NZ\$24 million based on its current information. If the current trading patterns continue into the second half of 2020, it is anticipated that the 2020 full year result for the hotel operations would run at a loss.

The company received confirmation from its insurers on Tuesday that these losses are not covered by business interruption insurance as the hotels are not closed by COVID-19.

While updates will be provided to the market in line with the NZX's Continuous Disclosure Rules, MCK has suspended any profit guidance for 2020 indefinitely with immediate effect.

No hotel closures planned for the moment:

Mr. Chiu stated that MCK did not anticipate closing any of its hotels at present.

"Our intention is to keep our hotels open where possible and retain a level of staff and resources required to operate to the level of business that they have. So we may close off floors or building wings and other facilities which are not being used but there will be someone to check you in and out".

"Our hotel restaurants and bars will either close or operate under reduced hours in the near future. This will also impact hard on our hotel revenues", he said.

Effect on employees:

Mr. Chiu said that there would be a significant impact on MCK's employees across all of its hotels and corporate offices.

"We will need to make some very difficult decisions about all of our operations and employees in the very near future, certainly over the coming weeks. There will be reduced hours, there will be job losses. We will engage with our employees at all of our hotels and our corporate offices and look to agree on viable options to retain as many jobs as possible and to ensure that we have a business to manage in the future when this crisis passes. A range of options are being explored", said Mr. Chiu.

Consultation with MCK's employees would begin before the end of the week.

Other cost savings and mitigation measures:

Earlier in the year, MCK had implemented a range of cost reduction and cost management measures in response to anticipated market demand and these will now be expanded across all of its business units. This will include the deferral of some capital projects which are not business-critical.

Response to the New Zealand Government's COVID-19 Economic Response Package:

MCK welcomes the New Zealand Government's COVID-19 Economic Response Package ("ERP") announced yesterday.

"We will look into the ERP in more detail in the next few days. The ERP's wage subsidies are helpful especially for smaller tourism operators and accommodation providers and is welcome from that standpoint. The reintroduction of depreciation deductions may be helpful to MCK", said Mr. Chiu.

2019 Dividend:

MCK's Board confirmed that the dividend announced on 10 February (7.5 cents per share) would be paid to shareholders in May as announced.

2020 Annual Meeting:

MCK's Board advised that the annual meeting scheduled for 26 May 2020 will proceed but will likely be a hybrid / virtual meeting instead. Details would be advised in the Notice of Meeting which is scheduled to be sent to shareholders at the end of April.

Concluding remarks:

"There is no question that this is the most severe crisis that MCK has faced", said Mr. Chiu. "The ongoing situation remains uncertain and we will monitor future developments but the immediate path ahead will be difficult. This will affect all of us. But we are a resilient team and we have dealt with crises before. MCK's Board of Directors, my Management team and I all believe that the Company will be able to survive this crisis as well", he said.

"The actions we are taking now, while severe, are necessary to ensure that MCK can recover, rebuild and remain true to our intergenerational aspirations. I am asking for the support and understanding of every one of our employees and every one of our shareholders and stakeholders during this extraordinary period", he said.

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Issued by Millennium & Copthorne Hotels New Zealand Limited

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