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## 31<sup>st</sup> March 2022 Preliminary Profit Announcement

Greetings Shareholders,

CV-19 has continued to have a significant impact on Skyline businesses both internationally and within New Zealand, and the 2022 result reflects this. The preliminary profit before tax for the year ended 31st March 2022 from continuing operations is \$34.9m (\$68.6m last year). The result includes a positive increase in the commercial property values of \$7.7m and the balance being underlying trading profits of \$27.2m. This compares to an increase in commercial property values of \$36.4m and underlying trading profits of \$32.2m in the prior year. The decrease of \$5m in underlying trading profit reflects the ongoing CV-19 impacts that we experienced.

The result is a credit to a continued concentrated focus on operational cost management and reflects the difficult ongoing market conditions that we are operating in across our diversified global operations. The result remains subject to audit.

### Business performance

Revenue was up on the prior year at \$117.5m (versus \$102m), however still significantly down on pre-CV-19 levels (\$196m in 2020) due to the ongoing impact of CV-19. This impact included lockdowns and tightened restrictions following CV-19 Omicron variant outbreaks in the second half of the financial year. This impact was felt at differing levels across all markets with the New Zealand based businesses being hardest hit. This included the key Auckland domestic market being locked down for a total of 15 weeks.

The Skyline Rotorua business had been producing strong numbers off a solid base of domestic visitation prior to the Auckland market lockdown and this saw a final flat year-on-year result. Remodeling and upgrades to the existing luge tracks throughout 2021 that opened in April 2022 and are already proving popular and providing yet another reason to visit.

Similarly, Christchurch Casino enjoyed good local patronage until the latter part of the financial year when increased restrictions reduced visitation. However, the business still provided a robust EBITDA despite these challenges.

The Skyline Queenstown business had another very difficult year with visitation continuing to be negatively impacted by continued closed international borders and the resultant loss of our international customer base. The recent border reopenings and announcements of more to come by the end of July for New Zealand, alongside reductions of testing protocols are encouraging signs. We expect this to provide a significant lift to visitor numbers into Queenstown and the business from the later part of 2022.

Also, in Queenstown our commercial portfolio of properties, with the assistance of rent reductions from ourselves, have remained stable and are also optimistically looking forward to the return of international visitors.

Overall property values increased on the previous year largely driven by the O'Connells redevelopment. This reflects the completion of the base build alongside security of the long-term lease of the two floors of retail to the DFS Group operating as T Galleria.

At our international locations all operations experienced a year of constantly changing and varying restriction levels that resulted in reduced capacity and visitation and required considerable operational agility.

In South Korea the Skyline Luge Tongyeong operation performed well considering the operating environment, and we opened our newest and largest Skyline Luge site in Busan in July 2021. Opening during CV-19 was a commendable achievement by the team, and the site had a promising first nine months of operation. While this was short of budget, we remain very optimistic that the strategically strong location of the site and adjacency to extensive shopping and hospitality facilities and a large theme park will ensure Busan becomes a strong

contributor to Skyline's portfolio. Investment continues in this site with the first international zipline operation scheduled to open later this year.

Skyline Luge Sentosa in Singapore built strong momentum throughout the year and delivered an impressive lift in profit on the prior year. This was helped by a government voucher incentive for Singaporeans to reconnect with attractions and hospitality.

Skyline Luge Calgary had an outstanding year due to Canada, and in particular Calgary, dropping most CV-19 restrictions mid-summer which meant for strong visitation and a stronger than forecast profit. Mont-Tremblant in Quebec also experienced good visitation and a subsequent on budget profit result.

The sale of Heritage Dunedin Leisure Lodge was successfully completed in the year and a profit from discontinued operations of \$4.9m is recorded in the financial statements reflecting a gain over and above book values.

The Board are proud of what our team of Skyliners have achieved this year. The operational flexibility to meet and adapt to the constantly changing CV-19 environment and ensuring the safety and wellbeing of both the teams on the ground and customers has been very pleasing. We are confident in the continued resilience and agility of the business to positively respond as restrictions lift and markets reopen.

## **Developments**

Skyline Queenstown has continued with forestry clearance of the new Gondola line, rock stabilisation and the ground preparation for the new car park, alongside development of the bottom and top terminal base builds. Currently the ground rectification and base works are on schedule and on budget and we look forward to the opening of the new 10 seater gondola in July 2023.

The O'Connells redevelopment achieved practical completion on time and on budget. The fit out of the DFS T Galleria retail offering has commenced alongside the seven food and beverage outlets as part of the new Eatspace venue on the lower level. The reopening of O'Connells and the new T Galleria and Eatspace offerings later this year will mark a major milestone in the next chapter of the iconic O'Connells, as well as provide a much needed boost to the revitalisation of downtown Queenstown.

Construction of our next luge operation at Gamuda Gardens north of Kuala Lumpur is progressing on time and on budget with the opening scheduled for May 2023. This exciting site consists of four luge tracks with a myriad of tunnels, zipline, a free fall jump alongside multiple food and beverage outlets.

In the United Kingdom we have made positive progress with Swansea Council and Welsh Government for our planned gondola and luge mixed use site. The plans for the site consist of four luge tracks, a lengthy 1.5km cableway ride overlooking the scenic Swansea Bay, SkySwing and multiple food and beverage outlets.

In response to the challenges with attracting talent we have also accelerated the development and reinvigoration of our employment brand.

## **Looking forward**

As a Board and management team we are encouraged by the gradual easing of restrictions and the recommencement of international travel across our key markets. Without doubt it will take a number of years to return to pre-CV-19 visitation numbers. In the meantime, we are proactively addressing challenges in ensuring we can continue to deliver to our world class customer experience standards, particularly in a higher inflationary environment and where there is considerable pressure on operational staff levels. We are already seeing this manifest in our ongoing capital projects with material cost increases, constrained supply and time delays.

While holding a level of optimism moving forward the Skyline board has decided to remain cautious until we see the realisation of returned international travel meaning that the payment of the traditional year-end dividend is inappropriate at this time. Instead, we will commit to consideration of an interim dividend once travel has resumed and visitation levels increase.

We have also made excellent progress on our sustainability strategy and framework and look forward to providing further detail on this in our upcoming annual report.

The year has been a continuing challenge and I applaud Geoff McDonald and his senior leadership team as well as our Skyliners across all sites for adapting to the continuous challenges and changes with an open and positive mind set. Pleasingly we continue to see strength in the diversity that comes from a global presence and wide business portfolio, alongside a broad customer appeal.

We look forward to welcoming you in person to our traditional Annual General Meeting to be held at Skyline Queenstown on Saturday 24<sup>th</sup> September at 5pm, followed by drinks and canapes. Further details will follow in the notice of meeting to be sent in August.

Kind Regards  
Jan Hunt  
Chair – Skyline Enterprises

21 June 2022