



Debt market update
March 2017



Philip Neutze
Chief Financial Officer

Important Notice

2017 March Debt Investor Update Presentation

Disclaimer

This presentation is for preliminary information purposes only and is not an offer to sell or the solicitation of any offer to purchase or subscribe for any financial products and no part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. The information in this document is given in good faith and has been obtained from sources believed to be reliable and accurate at the date of preparation, but its accuracy, correctness and completeness cannot be guaranteed.

All of the data provided in this document is derived from publicly available information in relation to Auckland Airport (including the annual report of Auckland Airport for its financial year ended 30 June 2016), unless otherwise indicated.

Any internet site addresses provided in this presentation are for reference only and, except as expressly stated otherwise, the content of any such internet site is not incorporated by reference into, and does not form part of, this presentation.

This presentation may contain forward looking statements with respect to the financial condition, results of operations and business, and business strategy, of Auckland Airport. Auckland Airport gives no assurance that the assumptions upon which Auckland Airport based its forward looking statements on will be correct, or that its business and operations will not be affected in any substantial manner by other factors not currently foreseeable by Auckland Airport or beyond its control. Accordingly, Auckland Airport can make no assurance that the forward looking statements will be realised.

References to \$ are to New Zealand dollars

This presentation is dated 2 March 2017.

Agenda

	Page
1. Company overview	5
2. Strategy for our future	12
3. Financial information	16
4. Outlook	22
Appendices	



Auckland Airport at a glance



18.3 million
annual passengers to December 2016

91% share of long haul arrivals to New Zealand



29 international airlines including announced
46 international destinations³
4 international freight airlines
19 domestic destinations
230,000 tonnes of cargo each year

Auckland Airport in 2016



165,000 flights each year
145+ international flights each day
300+ domestic flights each day

74% share of international visitors to New Zealand²

6.6% average annual passenger growth over 50 years²



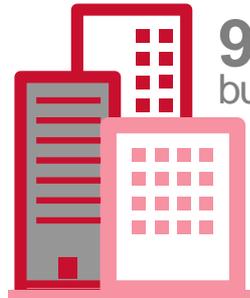
1,500 hectares of land



3,635 metres of runway



24 x 7 operation, 365 days a year



900+ businesses



20,000+

people working at and around the airport



100+ shops, cafés and restaurants

2 hotels



1. Information as at December 2016
2. As at September 2016
3. Services launched or announced at 27 February 2017

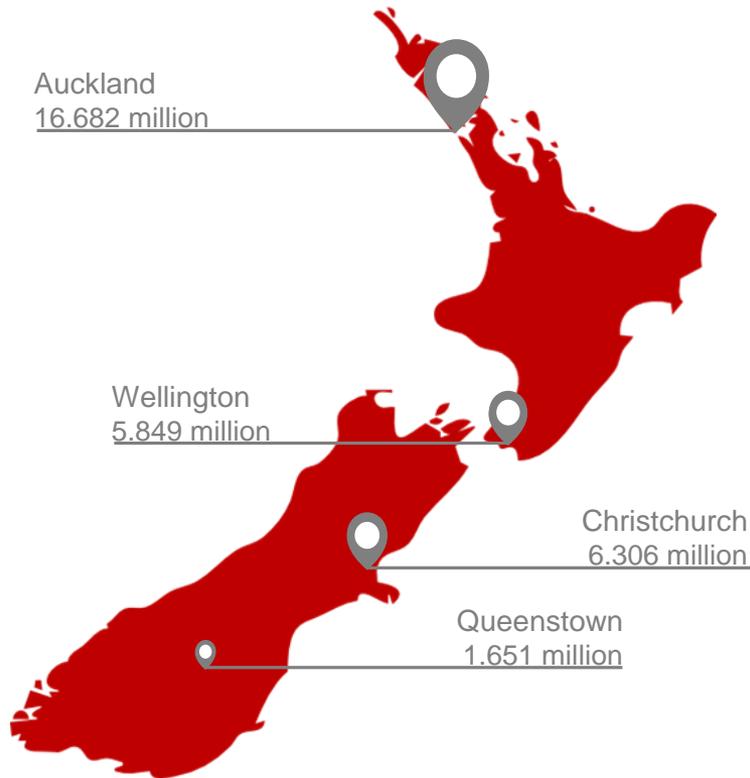
Company overview



Auckland Airport is the busiest in New Zealand

2017 March Debt Investor Update Presentation

New Zealand international airports by passenger numbers for 12 months to 30 June 2016



- The largest airport in New Zealand
- ~74% of international passengers to New Zealand arrive or depart from Auckland Airport and 91% of total long haul arrivals ²
- Main commercial airport serving New Zealand's largest city with 165,000 aircraft movements a year as at December 2016
- No flight curfew, operating 24 hours a day, 7 days a week
- It is one of New Zealand's most important infrastructure assets, and the largest NZX listed company with a market capitalisation of \$8.7bn ³
- 1,500 hectares of freehold land on the Auckland isthmus (\$4.0 billion market value at 31 December 2016)
- Listed on the NZX and ASX

Passengers excluding transits in the year ended June 2016 ¹

Connecting New Zealand to the world

Auckland Airport connects New Zealand to 46 international destinations



Routes launched or announced based on single ticketed fares as at 27 February 2017

- Auckland Airport's focus on increasing connectivity and working closely with airlines has helped achieve a 6.6% average annual total international passenger growth over 50 years
- 17 new international services¹ over the last 20 months are driving strong growth compared to H1 FY16 equivalent



1. Including Sichuan Airlines Chengdu service from June 2017

Regulatory environment

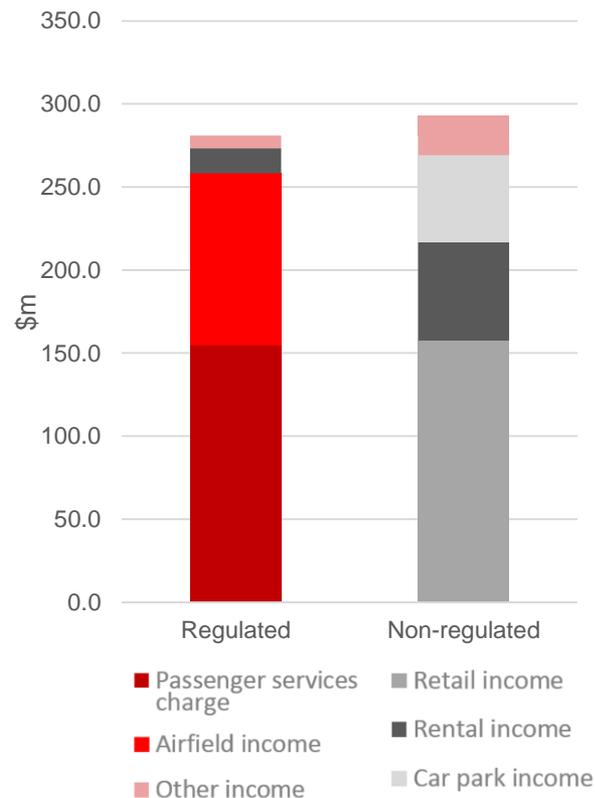
Overview

- Dual-till regime, with the aeronautical segment (1st till) subject to information disclosure regulation under the Commerce Act 1986
- Disclosure regime includes monitoring of service standards, asset availability, capital expenditure plans, efficiency of pricing and return on investment
- Commerce Commission monitors information disclosure regime effectiveness

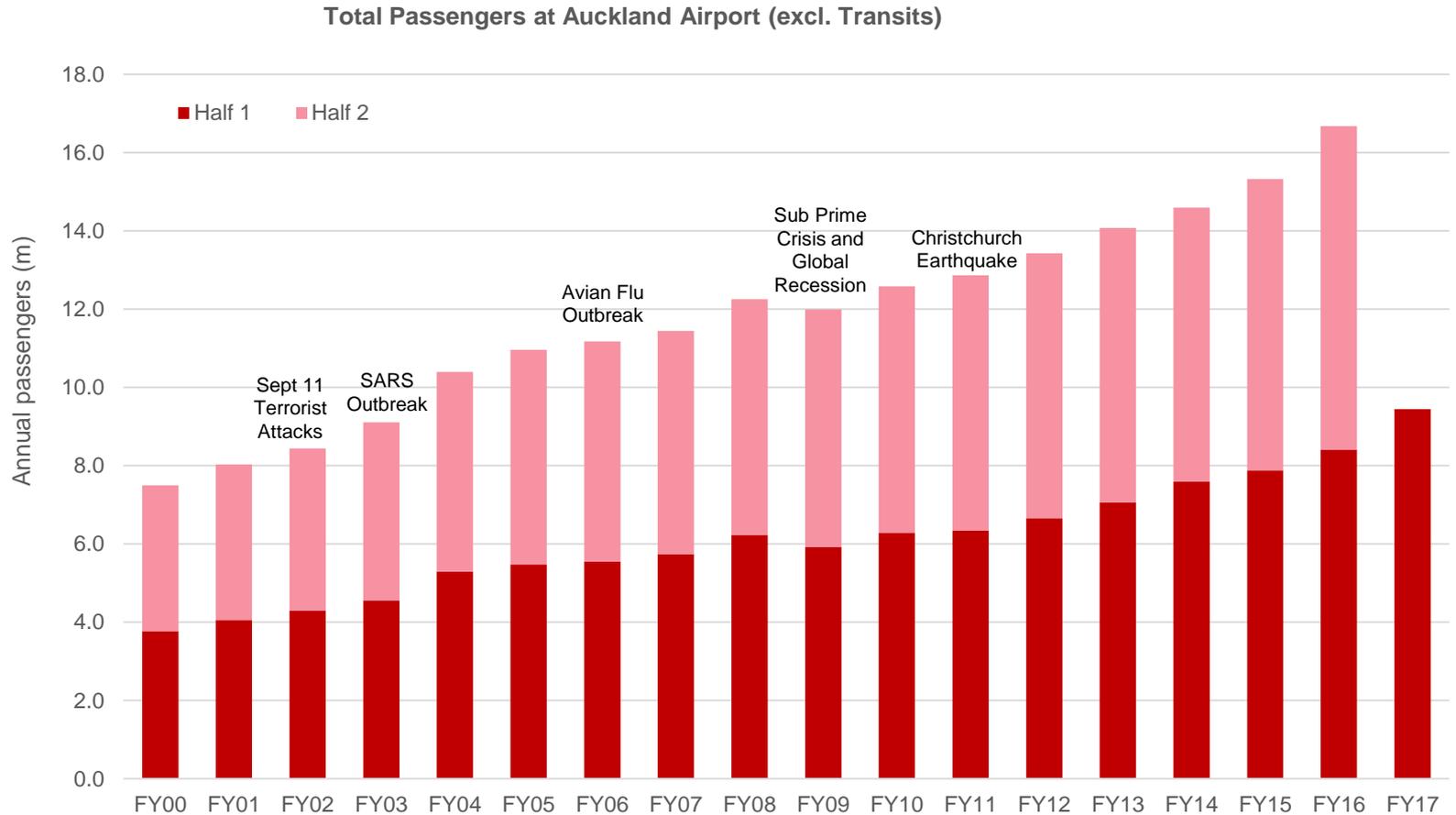
Ongoing Commerce Commission review

- The Commerce Commission completed its review of the current input methodologies that apply to regulated airports in December 2016
- The final decision reaffirmed that the Commission does not set prices for airport services and that its focus is on ensuring there is transparency in relation to the pricing decisions made by airports
- Auckland Airport's FY18-22 aeronautical price path consultation with major airlines and representatives began in early FY17, with final pricing decision expected in May 2017

~50% of revenue is regulated ¹



Proven passenger growth

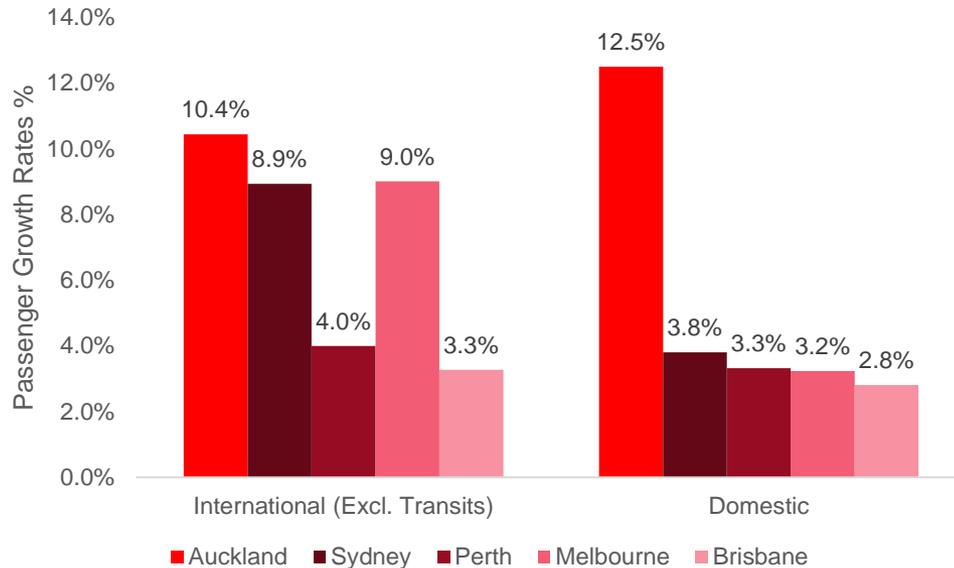


- Continued growth demonstrates resilience to global economic weakness and other external shocks

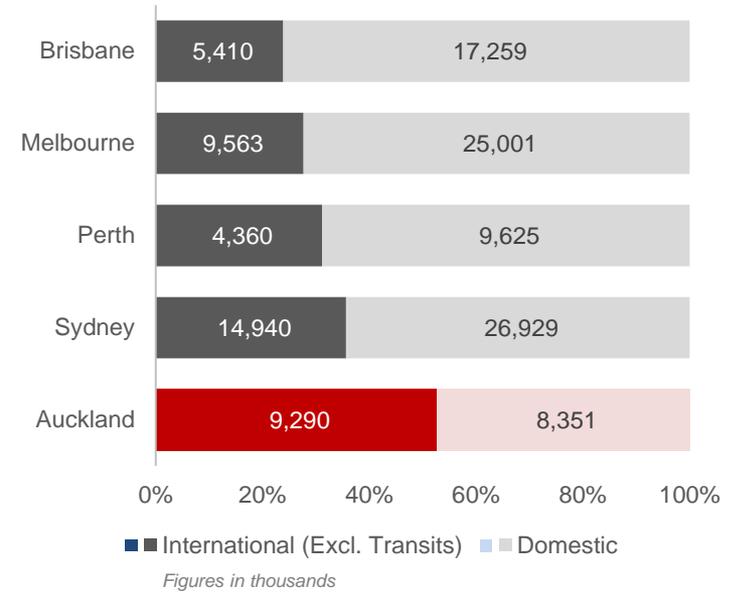


Compares favourably to Australasian airports

Passenger growth rates % for 12 months to December 2016



International vs domestic passenger mix for 12 months to December 2016



- Auckland Airport experienced the highest total passenger growth of the main Australasian airports in 2016 across both international and domestic
- Auckland Airport has the highest proportion of international passengers of all Australasian airports



Diverse business activities

2017

March Debt Investor Update Presentation



Aeronautical Base

- ~50% of revenues come from aeronautical activities
- 6 new airlines announced and 10 new routes established in 12 months to 31 December 2016
- Continued focus on route development



Diverse Retail Offering

- Significant and diverse retail offering
- Strong performance from Specialty and Destination categories – sales up 25% in FY16
- Larger space in development will drive step change in retail over the next two years



Strong Carpark Growth

- ~12,000 parking spaces across a range of parking services from Valet to Park&Ride
- Increased average revenue per space over calendar 2016
- Increasing demand is driving further expansion



Extensive Investment Property

- Significant land holding of 1,500 hectares
- 9 hectares of development completed and a 12.3% increase in rent roll in FY16. Rent roll has grown by a further 2% during H1 FY17.
- Momentum building for 2017, a number of significant developments underway



Hotel Occupancy Increasing

- Two hotels at the airport
- Occupancy rates increased to 92% for both Novotel and Ibis over H1 FY17
- Design underway for a third 250 room 5 star hotel



Strong Associate Airport Performance

- ~25% stake in two other airports
- Queenstown experienced an 18% increase in passenger numbers in calendar 2016 with total aircraft movements up 9% on prior period
- NQA international passenger numbers increased by 21.7% in calendar 2016

Highlights

Company overview

Strategy for our future

Financial Information

Outlook

Strategy for our future



Our strategy

**Faster
Higher
Stronger**



Grow Travel Markets



Adopt an ambitious and innovative approach to help New Zealand to sustainably unlock the growth opportunities in travel, trade and tourism



Strengthen Our Consumer Business



Strengthen and extend our retail, transport and hotel businesses to ensure we can respond to evolving customer needs



Be Fast, Efficient & Effective



Continue to improve our performance by increasing the productivity of our assets, processes, operations and balance sheet



Invest for Future Growth



Add to our strong infrastructure and commercial foundations for long-term sustainable growth

Delivering on our ambitions

In 2013 we established several ambitious targets under our Faster, Higher, Stronger growth strategy

Aspirations:

Where we were in June 2013:

How we tracked to December 2016:



400,000

Double Chinese arrivals to 400,000 by FY17

213,781

↑ **366,487**

An increase of 11.4% in calendar 2016



\$60m

Build property rent roll to \$60 million by FY17

\$44m

↑ **\$64.6m**

An increase of \$1.3 million in calendar 2016



10m

Achieve 10 million international passengers (excluding transits) by FY18

7.3m

↑ **9.3m**

An increase of 1.0 million in calendar 2016



20m

Reach 20 million total passengers by FY20

14.5m

↑ **18.3m**

An increase of 2.0 million in calendar 2016

Investing for future growth

2017

March Debt Investor Update Presentation

- Bold 30-year vision developed with international experts (www.airportofthefuture.co.nz)
- Vision based on a combined domestic and international terminal as well as an efficient, affordable and staged development path
- Work completed on the first two phases and well underway on phases 3-5:
 - Phase 1: Additional baggage belts
 - Phase 2: Reconfigured inbound processing
 - Phase 3: Expanded outbound processing and airside dwell areas
 - Phase 4: Pier B, bus lounge, remote and contact stands
 - Phase 5: Domestic Terminal
- A significant period of investment is underway as we build to accommodate the ongoing growth in passengers, aircraft and businesses operating at the airport



Financial Information



Strong five year financial performance

2017

March Debt Investor Update Presentation

For the year ended 30 June NZ\$m	H1 2017	2016	2015	2014	2013	2012
Revenue	310.9	573.9	508.5	475.8	448.5	426.8
Expenses	75.0	143.6	128.5	120.6	117.6	107.5
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	235.9	430.3	380.0	355.2	330.9	319.3
<i>EBITDAFI Margin</i>	<i>75.9%</i>	<i>75.0%</i>	<i>74.7%</i>	<i>74.7%</i>	<i>73.8%</i>	<i>74.8%</i>
Share of (loss) / profit from associates	10.0	(8.4)	12.5	11.6	9.9	9.2
Derivative fair value (decrease)/increase	1.5	(2.6)	(0.7)	0.6	1.5	(2.1)
Property, plant and equipment revaluation	-	(16.5)	(11.9)	4.1	-	-
Investment property revaluation	17.4	87.1	57.2	42.0	23.1	1.4
Depreciation expense	37.4	73.0	64.8	63.5	62.1	64.5
Interest expense	36.8	79.1	86.0	68.2	66.7	69.0
Taxation expense	48.8	75.4	62.8	65.9	58.6	52.0
Reported net profit after tax	141.8	262.4	223.5	215.9	178.0	142.3
Underlying profit after tax¹	123.5	212.7	176.4	169.9	153.8	139.0

¹ A reconciliation showing the difference between reported net profit after tax and underlying profit after tax is included in the interim financial report for the six months ended 30 June 2016

Summary balance sheet

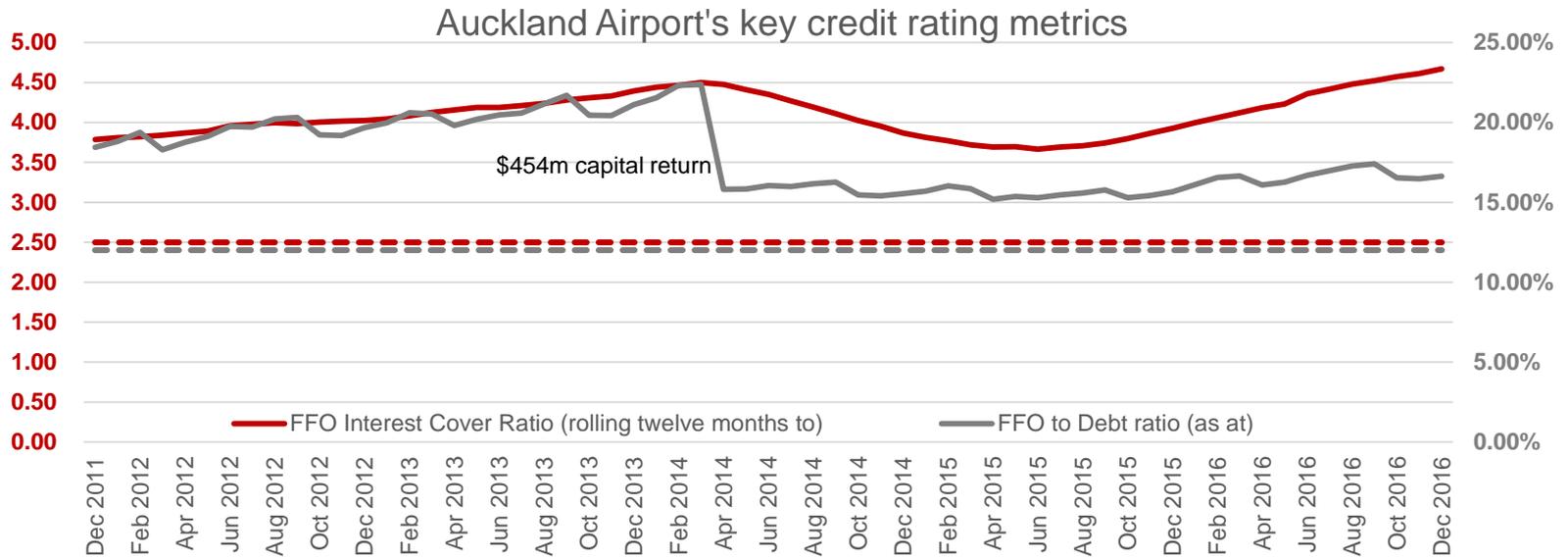
2017

March Debt Investor Update Presentation

For the year ended 30 June NZ\$m	Dec 2016	June 2016	June 2015	June 2014	June 2013	June 2012
Cash	28.5	52.6	38.5	41.4	69.2	42.8
Trade and other receivables	55.5	42.3	36.6	29.0	26.8	23.1
Other current assets	4.8	8.0	12.3	3.2	3.6	3.4
Current assets	88.8	102.9	87.4	73.6	99.6	69.3
Property, plant and equipment	4,815.1	4,708.1	3,884.1	3,761.5	3,020.2	3,021.7
Investment properties	1,094.8	1,048.9	848.1	733.4	635.9	579.8
Investment in associates	144.3	142.8	163.6	158.4	165.7	180.0
Derivative financial instruments	116.0	138.8	118.3	6.9	17.1	24.7
Total assets	6,259.0	6,141.5	5,101.5	4,733.8	3,938.5	3,875.5
Borrowings	1,955.8	1,886.9	1,722.5	1,506.9	1,142.0	1,108.7
Other liabilities	363.8	373.9	336.1	308.2	297.1	294.0
Total liabilities	2,319.6	2,260.8	2,058.6	1,815.1	1,439.1	1,402.7
Equity	3,939.4	3,880.7	3,042.9	2,918.7	2,499.4	2,472.8
Total liabilities and equity	6,259.0	6,141.5	5,101.5	4,733.8	3,938.5	3,875.5

Credit metrics

2017 March Debt Investor Update Presentation

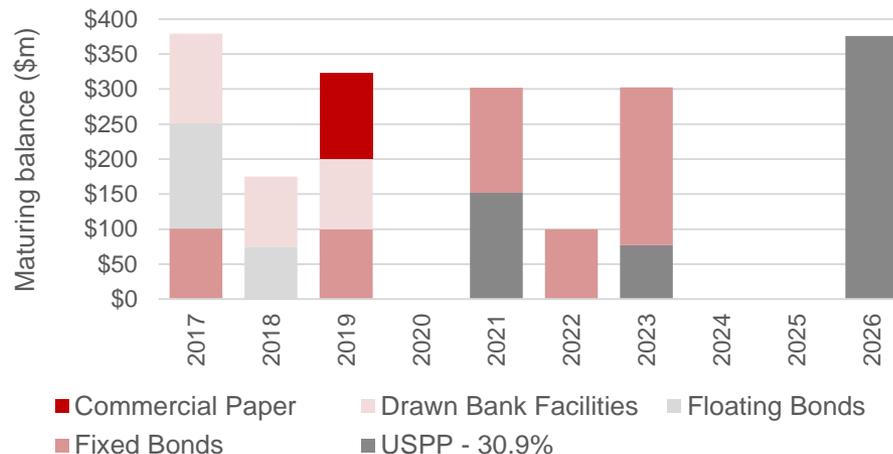


- Considerable headroom in Auckland Airport's key credit metrics for A- target rating
- FFO interest cover ratio exceeded pre capital return levels in September 2016. Growth in the debt book has been offset by decreasing interest rates
- Increased capital expenditure over the next five years will soften credit metrics
- Current FFO would allow a circa \$700 million increase in debt excluding revenue growth
- FFO to grow with earnings enabling planned debt funded capex programme

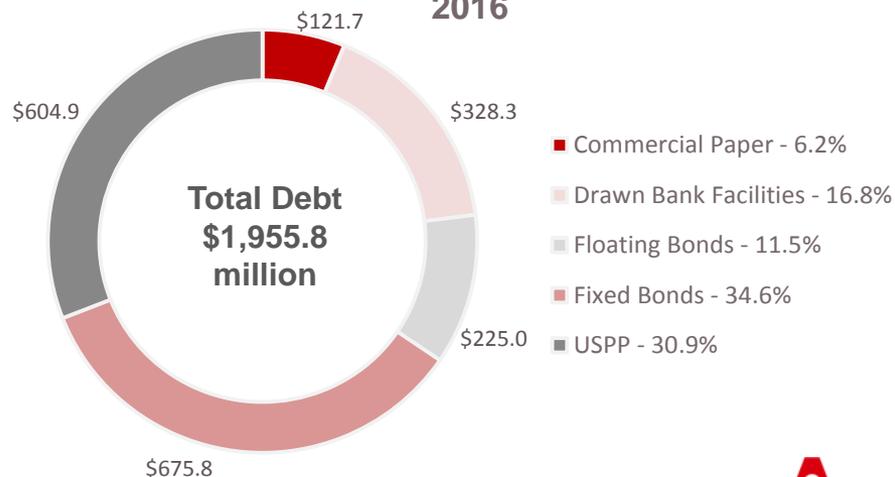
Funding

- Auckland Airport sources debt funding from a variety of markets and maintains a wide range of debt maturities
- Weighted average maturity of existing facilities of 4.4 years
- Committed headroom of \$530 million at 31 December 2016
- Auckland Airport continues to target an A- credit rating
- Auckland Airport remains committed to dividend policy of paying ~100% of underlying NPAT
- Targeting ~\$560 million debt raisings in FY17
- This will refinance \$305 million of maturing debt and \$255 million of growth capital expenditure

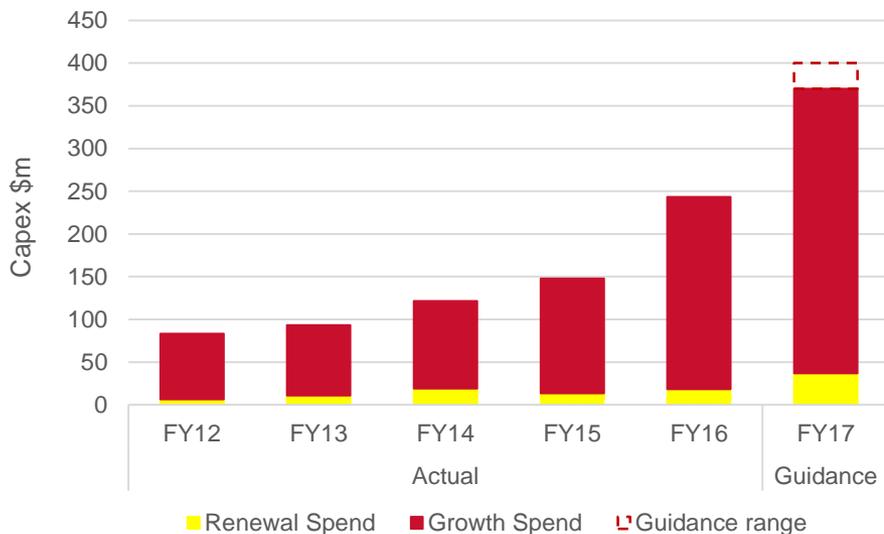
Debt maturity profile as at 31 December 2016



Total borrowings by category as at 31 December 2016



Capital expenditure



For the year ended 30 June	2016 \$m	2015 \$m	Change
Renewal	18.4	13.7	34.3%
Growth	224.8	133.9	67.9%
Total capital expenditure	243.2	147.6	64.8%
Depreciation	73.0	64.8	12.7%

- ~90% of capital expenditure is investing for future earnings growth
- Capital expenditure guidance for FY17 is between \$370 million and \$400 million on:
 - significant aeronautical projects including the International Terminal level 1 redevelopment, the extension to International Terminal Pier B, and additional remote and contact stands;
 - investment property developments including Fonterra, Ministry for Primary Industries, two logistics developments and the new office development Quad 7; and
 - Commenced a number of traffic initiatives to improve highway access to the Airport with work on Puhinui Road, George Bolt Memorial Drive and Tom Pearce Drive



Outlook



Outlook

2017

March Debt Investor Update Presentation

Guidance

- Ongoing strong performance to date has been in line with expectations
- We expect underlying net profit after tax (excluding any fair value changes and other one-off items) to be between \$235 million and \$243 million in FY17
- Updated total capital expenditure guidance of between \$370 million and \$400 million in FY17, including approximately \$240 million of aeronautical projects
- This guidance is subject to any material adverse events, significant one-off expenses, non-cash fair value changes to property and deterioration due to global market conditions or other unforeseeable circumstances

Highlights

Company overview

Strategy for our future

Financial Information

Outlook

Contact details

2017

March Debt Investor Update Presentation

Debt investor inquiries

Campbell De Morgan

Treasury Specialist

DDI: +64 9 255 9029, Mobile: +64 27 478 3243

campbell.demorgan@aucklandairport.co.nz

Questions



Appendices



Significant land holdings

- Highlights
- Company overview
- Strategy for our future
- Financial Information
- Outlook



- Auckland Airport owns approximately 1,500 hectares of freehold land with ~290 hectares available for investment property development
- Vacant land enables staged and affordable expansion of aeronautical infrastructure as required and ongoing rental income growth

Strong revenue growth across the business

2017 March Debt Investor Update Presentation

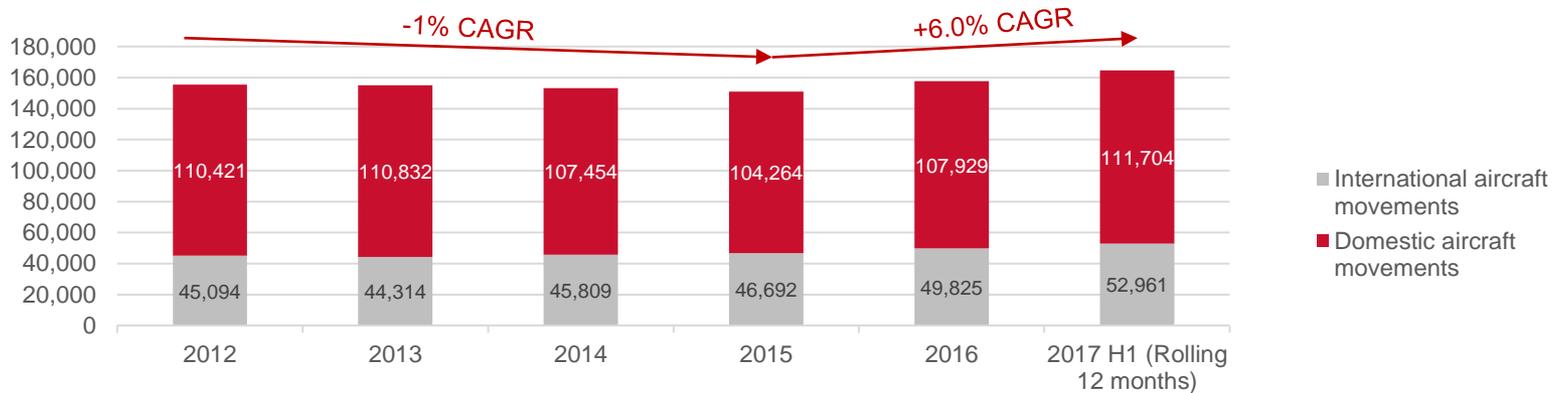
Revenue by segment

For the year ended 30 June \$m	H1 2017	2016	2015	2014	2013	2012
Airfield income	59.2	103.4	93.3	87.6	81.6	77.3
Passenger services charge	85.9	154.9	140.9	131.5	120.2	83.1
Terminal services charge	-	-	-	-	-	28.6
Retail income	80.7	157.5	132.0	127.1	124.3	120.8
Car park income	28.9	52.1	46.6	42.8	40.4	36.6
Rental income	40.7	74.7	64.6	59.3	55.4	55.0
Other income	15.5	31.3	31.1	27.5	26.6	25.4
Total revenue	310.9	573.9	508.5	475.8	448.5	426.8

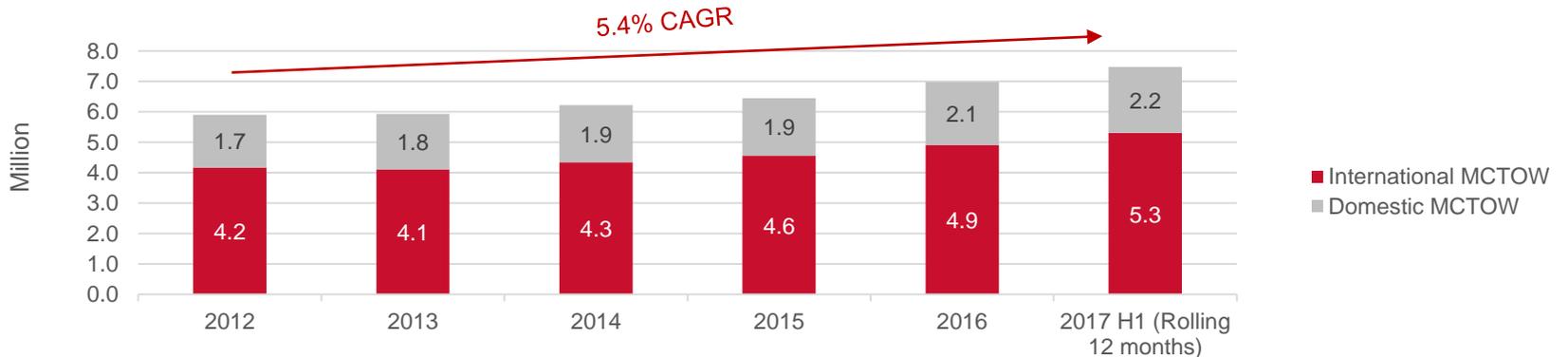
- Excellent aeronautical revenue growth driven by double digit passenger growth, growing runway movements and regulated price increases
- Strong passenger growth, food and beverage and passenger products performance contributed to underlying retail income growth of 6%¹ vs half 1 2016 despite ongoing expansion work in the international terminal
- Investment property rental income increase was driven by the development of new properties and strong growth in the existing asset base

Runway movements growing

Aircraft movements



MCTOW



- Increased connectivity to new and existing destinations reversed a 7 year decline in total aircraft movements



A
Auckland
Airport

Making Journeys Better

PROTEK