

# Company Overview



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**All figures are in NZ\$ unless otherwise stated.**

# International Gateway to New Zealand

- New Zealand is an island nation and arrival by road and rail is impossible. Sea transport is unattractive for most overseas travellers.
- Auckland Airport is the only commercial airport in New Zealand's largest city.
- Approximately 2 million people (40% of NZ's population) live within a two hour drive of Auckland Airport. 75% of international visitors arrive or depart from Auckland Airport, and 94% of long haul arrivals (excluding Australia).
- No curfew, operating 24 hours a day.
- Auckland is New Zealand's centre for commercial, industrial, residential and migration growth.
- There are high barriers to competitive entry of another airport in Auckland.

## Population\*

**New Zealand:**  
4.4 million

Auckland Airport  
Catchment Area

- Within 2 hours' drive time:  
**1.780m people**
- Within 4 hours' drive time:  
**2.244m people**



\* 2012 Population Estimate Per Statistics New Zealand.  
Catchment data per Property Economics (2012)

# Aeronautical Assets

- Single 3,866 yards (3,535m) runway and associated taxiways and aprons, able to accommodate all current aircraft types, including A380 and Boeing 787 Dreamliner.
- Main taxiway can function as a standby runway in emergencies.
- Future Northern runway 2,351 yards (2,150m) parallel to main runway) in early stages of construction. Work is currently suspended as a move to larger aircraft resulted in fewer aircraft movements than previously expected.
- International Terminal Building with 14 airbridge stands (3 A380 capable and 10 remote stands).
- Domestic Terminal Buildings with 9 air-bridge stands, 12 gate stands and 4 remote stands.
- Approximately 3,707 acres (1,500 hectares) of freehold land.



# Overview

## Market Capitalisation

**US\$3,596m \***

## Register Composition



## Returns to Shareholders

	Share Price Opening \$	Share Price Closing \$	Dividend cps	Capital Return cps	Cost of Cancelled Shares cps	Total Return \$	Total Shareholder Return %
1 July 2010 to 30 June 2011	1.870	2.230	8.700	-	-	0.447	23.9
1 July 2011 to 30 June 2012	2.230	2.440	10.500	-	-	0.315	14.1
1 July 2012 to 30 June 2013	2.440	2.970	12.000	-	-	0.650	26.6
<b>1 July 2013 to 30 July 2014</b>	2.970	3.900	7.000	34.300	(34.300)	1.000	33.7

\* Market capitalization using share price and exchange rate as of 3 November 2014

# Overview

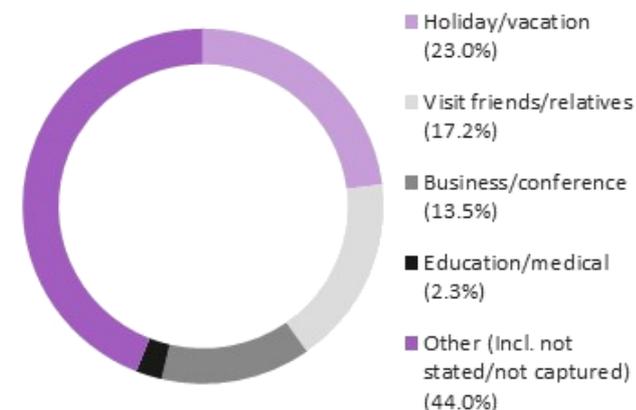
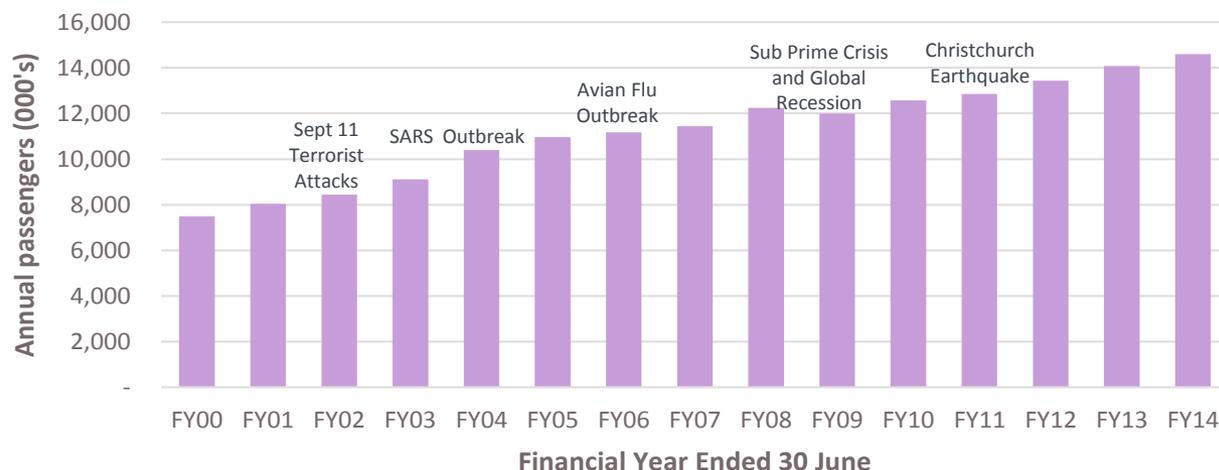
- Auckland International Airport Limited is listed on the NZX and ASX.
- Acquired 24.55% ownership of North Queensland Airports (Cairns and Mackay) in January 2010.
- Acquired 24.99% of Queenstown Airport in July 2010.
- Has a 20% ownership in 4+ star Novotel hotel limited partnership located next to Auckland Airport's international terminal (opened in May 2011).



# Passengers and Aeronautical Revenue

- Auckland airport earns aeronautical revenue through Landing Charges and Passenger Service Charges.
- Landing charges are based on the size of aircraft using the runway. Landing charges are based on the maximum certified take-off weight of aircraft (MCTOW).
- Passenger service charges are levied on each departing passenger with different price points for international, domestic and transit passengers.
- Passenger growth is the primary revenue driver particularly our aeronautical, retail and transport divisions.
- Diverse passenger base provides resilient growth.

Total Passengers at Auckland Airport (excl. Transits)



# Aeronautical Regulatory Environment

- Dual-till regime under the Commerce Act 1986 (NZ) with information disclosure regulation.
- Aeronautical is subject to disclosure regulation.
- Non-aeronautical till faces open market competitive forces.
- Airport Authorities Act 1966 (NZ) provides for and requires:
  - Airports to set charges.
  - Consult on aeronautical charges at least every five years.
  - Consult on capex decisions exceeding 20% of aeronautical asset base.
- New disclosure regime includes monitoring of service standards, asset availability, capital expenditure plans, efficiency of pricing and return on investment.
- New Zealand Commerce Commission provides monitoring of the information disclosure regulatory regime.
- MBIE to report to minister on effectiveness of ID regulation (calendar 2015). Wellington International Airport and Christchurch International Airport have addressed concerns in the original s56g reports.
- AIAL was found by the Commerce Commission to have targeted a fair return of 8% after tax for FY13-17.
- Airports WACC percentile review to take place during calendar 2015. Recently completed review for price controlled electricity and gas distribution business lowered WACC percentile from the 75<sup>th</sup> to the 67%.

# Positioning for our future

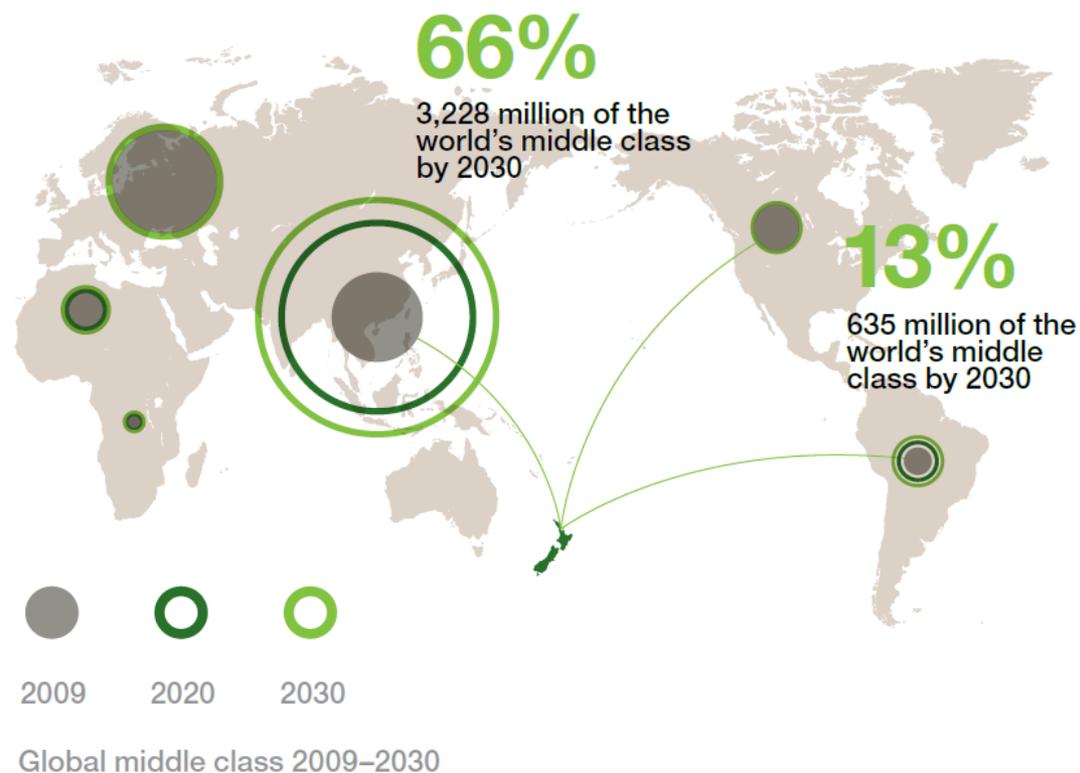
## Grow travel markets

- Unique approach to driving airline capacity.
- AIA does not discount landing charges but rather offers cooperative marketing campaigns to help drive traffic on new routes as well as wider marketing initiatives such as:

[www.tripguide.co.nz](http://www.tripguide.co.nz)

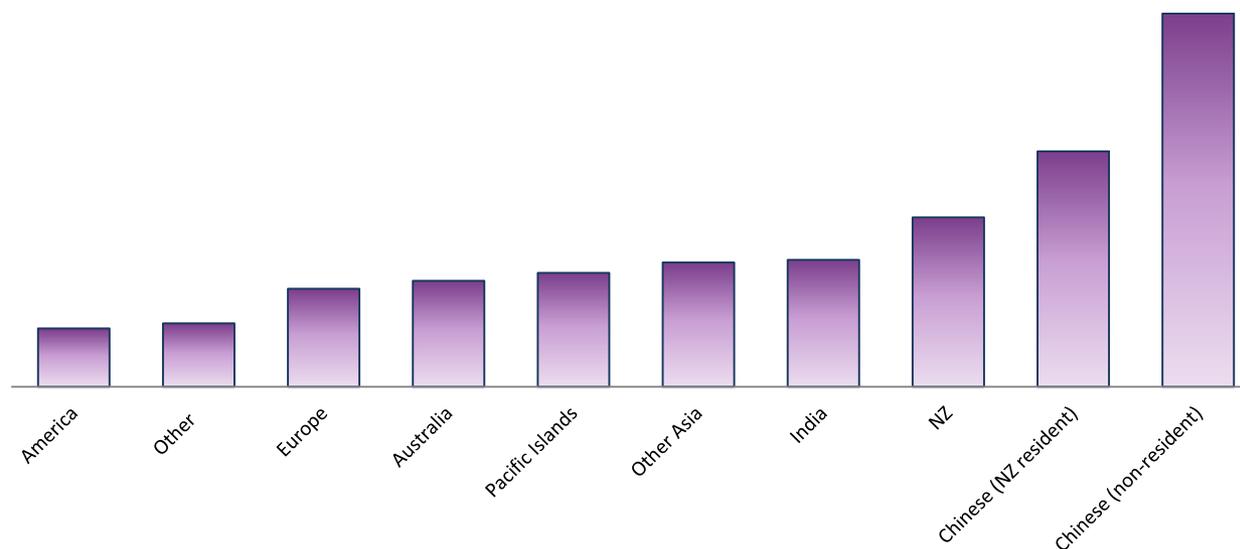
[www.ambition2025.co.nz](http://www.ambition2025.co.nz)

- Auckland Airport aims to become the southern hub for air travel in Australasia and the Pacific Rim, assisted by its location and capacity to expand infrastructure in a staged and efficient manner.



# Chinese travellers are a key target market

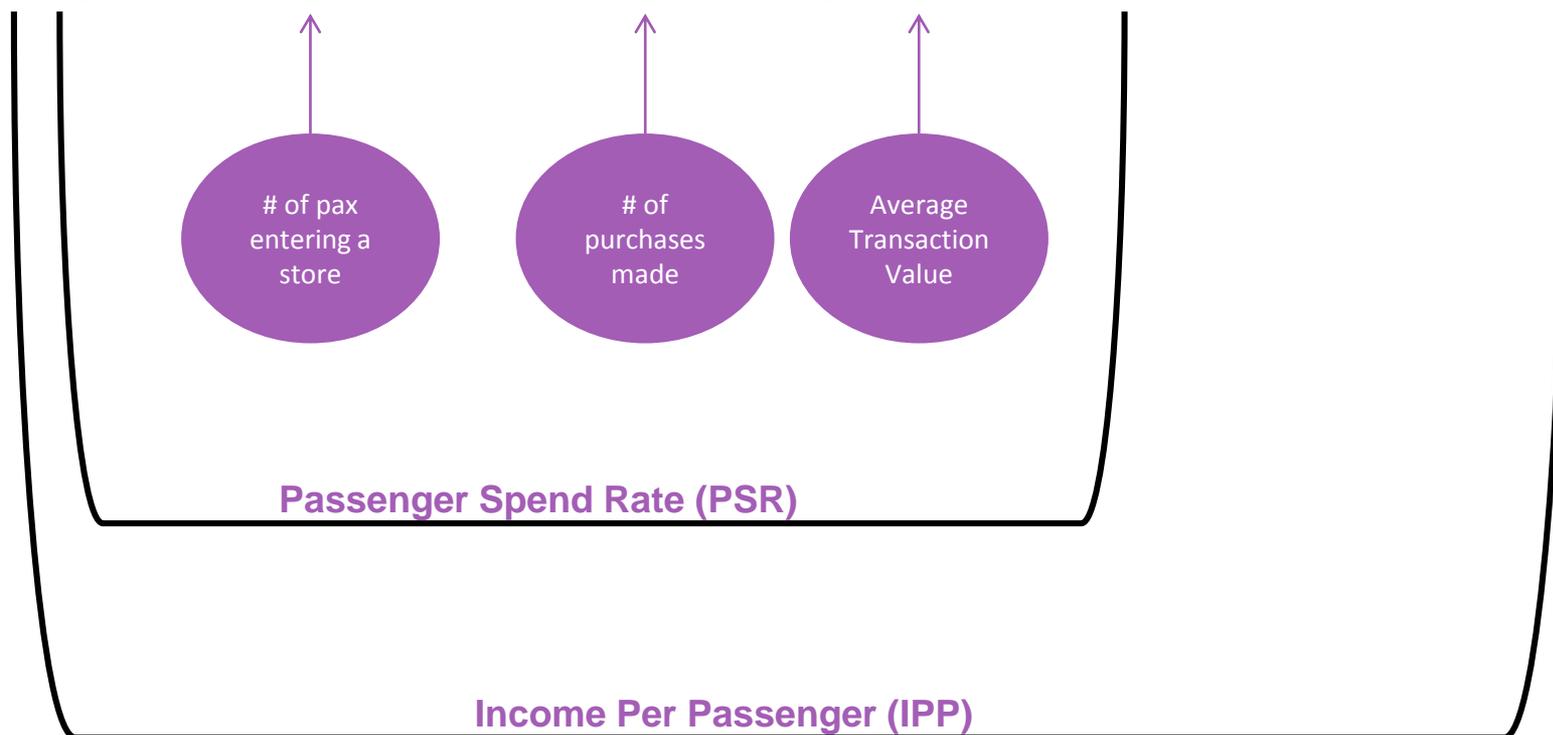
Retail Spend Rates By Nationality



- Chinese passengers (NZ resident + non-resident) represent 7% of all traffic, yet 14% of international terminal retail spend.
- Non-resident Chinese spend rate is +166% above the overall average

# The Retail Equation

Passengers  $\times$  (Penetration (%)  $\times$  Conversion (%))  $\times$  ATV (\$) = Sales (\$)  $\times$  Yield (%) = Revenue (\$)



# Concept design for international passenger area



# Car Parking Business

- As at 1 June 2014, the Airport had 8,802 parking spaces.
- In FY13 Auckland Airport moved some airline and other staff car parking from the domestic terminal to the Park & Ride facility, providing more car parks close to the terminal for the travelling public.

International Terminal	Domestic Terminal	Park and Ride
Proximate short-term and long-term parking options	Multi-levels car park with direct connectivity into terminal	Opened December 2008
2,974 public parking bays	2,622 public bays	800 parking bays
Covered and uncovered parking	Covered and uncovered parking	Prominent location, 24/7 shuttle with transfers every 15 minutes, GPS, high security

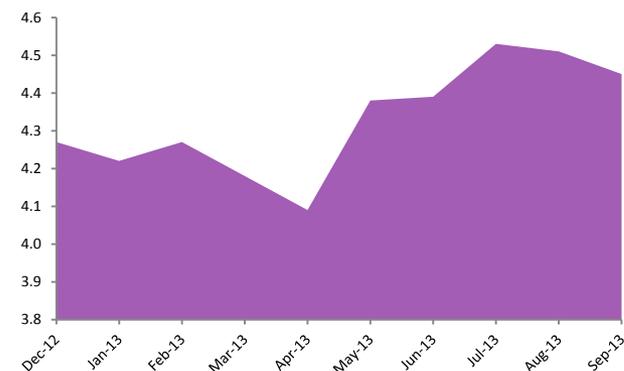
In addition, there are 2,406 staff car parks across domestic and international terminals which can be leveraged for customer parking at peak times



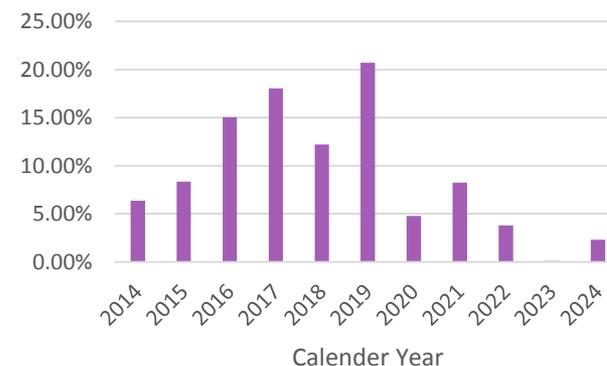
# Property Business

- Developments comprise all types of land use except permanent residential and heavy industrial. The Auckland Airport business district (“The District”) has been divided into seven precincts reflecting logical groupings of industry type and sector.
- There are 761 acres (308 hectares) of land available to be developed in The District.
- Leases are typically medium to long term and properties are typically leased on a design/build and lease basis with committed tenants. The weighted average lease term of existing properties was 4.43 years as at 31 October 2014.
- Developments completed during FY14 included a new 130,000 square feet (12,000 square metre) warehouse facility for DHL, additional facilities completed for Panalpina and Hobbs. A new 135,000 square foot (12,500 square metre) facility for Hellman logistics was announced in February 2014.
- Leasing of office space at Quad 5 completed enabling planning for a new 97,000 square foot (9,000 square metre) Quad 7 office space to progress.
- Vacancy in the portfolio is negligible (1% as at 31 October 2014).

## Historic WALT



## Lease expiry profile



# Significant Land Holdings



- Auckland Airport owns approximately 3,707 acres (1,500 hectares) of freehold land.
- Land value NZ\$2,650 million as at 30 June 2014 (excluding Investment Property), considerably more than total debt.
- The land holding provides opportunities for expansion of aeronautical infrastructure and growth from rental income streams.

# Hotels



- Auckland Airport completed its first Hotel in May 2011.
- The Novotel is a 263 room (4+ star) hotel.
- The hotel was a joint venture with Tainui Holdings and Accor Hospitality with Auckland Airport holding a 20% stake.
- Auckland Airport also collects ground rental from the Novotel site.
- A second hotel (Ibis - 3 star) was completed in August 2011 and designed to enable future expansion.
- Construction of an additional 73 rooms at the ibis budget hotel close to completion.
- Occupancy rate remains strong at 92.4% for Ibis Budget and 86.5% for Novotel.
- Market analysis of potential for further additional 'at terminal' hotels underway.

# Associates – Queenstown Airport

**Queenstown  
Airport**

24.99%

Queenstown  
(New Zealand)

- Queenstown Airport is the gateway airport to New Zealand’s adventure capital, a major tourist destination and the fourth largest international airport in New Zealand. It is the fastest growing airport in New Zealand and is pivotal to the tourism growth aspirations and future of the region, with a significant domestic visitor market
- Queenstown Airport has a runway length of 1,911m (2,090 yards)
- In the year ended 30 June 2014, Queenstown airport handled 940,477 domestic and 308,402 international passengers with growth of -1.7% and 27.6% on the previous year respectively



# Associates – North Queensland Airports

**North Queensland Airports**

24.55%

Cairns Airport (Australia)

- Cairns Airport is the gateway airport to Tropical North Queensland, a major Australian leisure destination. Two world heritage listed attractions, the Great Barrier Reef and Wet Tropics Rainforests are accessed from Cairns
- The airport has direct flights to all Australian capital cities with the exception of Hobart and a high number of other regional destinations are also serviced from Cairns. The airport is also Australia’s seventh busiest airport for international passengers
- Cairns Airport has a main north-south runway (3,196m / 3,495 yards) and a smaller cross runway (925m / 1,012 yards) for general aviation, with curfew free operations
- The international terminal has total floor area of 25,419 sqm (273,608 square feet)
- The airport is subject to a 99 year lease (with 94 years remaining) from the State of Queensland
- In the year ended 30 June 2014, Cairns Airport handled 3,948,094 domestic and 505,302 international passengers (excluding transits)

Mackay Airport (Australia)

- Mackay Airport is an important regional airport, benefitting from the strong resources industry and located close to the Whitsunday Islands
- Mackay is the access point to Bowen Basin, one of the largest coal-mining regions in the world containing over 70% of known coal reserves in Queensland, Australia.
- Mackay Airport has a main runway (1,981m) and a smaller cross runway (1,344m / 1,470 yards) for general aviation, with curfew free operations
- The airport is subject to a 99 year lease (with 94 years remaining) from the State of Queensland
- In the year ended 30 June 2014, Mackay Airport handled 1,076,227 domestic passengers



# Financial performance



# Five year results overview

Auckland International Airport Group (NZ\$'000)	30 Jun 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Revenue	475,814	448,458	426,813	397,723	363,113	368,295
Expenses	120,646	117,624	107,524	99,494	86,802	88,881
<b>Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)</b>	<b>355,168</b>	<b>330,834</b>	<b>319,289</b>	<b>298,229</b>	<b>276,311</b>	<b>279,414</b>
Gain on sale of associates	-	-	-	1,240	-	-
Plant, property and equipment revaluation	4,060	-	-	(63,465)	-	-
Investment property fair value increase/ (decrease)	41,974	23,091	1,350	21,640	9,469	(64,586)
Derivative fair value increase / (decrease)	636	1,473	(2,148)	3,503	-	-
Share of profit/(loss) of associates	11,632	9,921	9,240	4,755	8	949
<b>Earnings before interest expense, taxation and depreciation (EBITDA)</b>	<b>413,470</b>	<b>365,319</b>	<b>327,731</b>	<b>265,902</b>	<b>285,878</b>	<b>215,777</b>
Depreciation	63,541	62,053	64,483	56,843	55,736	54,766
Interest expense and other financial costs	68,171	66,689	68,958	70,417	71,938	75,590
Taxation expense	65,877	58,610	52,006	37,881	128,510	43,696
<b>Reported net profit after taxation</b>	<b>215,881</b>	<b>177,967</b>	<b>142,284</b>	<b>100,761</b>	<b>29,694</b>	<b>41,725</b>
<b>Underlying profit</b>	<b>169,877</b>	<b>153,781</b>	<b>139,025</b>	<b>120,870</b>	<b>105,051</b>	<b>105,891</b>
<b>Capital expenditure</b>	<b>121,497</b>	<b>93,471</b>	<b>83,141</b>	<b>74,774</b>	<b>54,290</b>	<b>87,593</b>

# Diverse revenue base

## Revenue

	12 months to 30 June 2014 \$m
Airfield income	87.607
Passenger services charges (PSC)	131.552
Retail income	127.073
Car park income	42.815
Rental income	59.260
Rates recoveries	4.626
Interest income	2.002
Other income	20.879
<b>Total revenue</b>	<b>475.814</b>



- Aeronautical revenue (primarily airfield income and passenger services charges) remains core to the business, representing 51% of FY 2014 external income.
- Other non-aeronautical revenue streams including Retail (primarily car-park and terminal retail income) and Property (primarily rental income) contributed 38% and 11% respectively.
- The new 5 year aeronautical price path introduced on 1 July 2012 (FY13-FY17) included some significant pricing architecture changes, ie: Terminal Services Charge (TSC) was abolished and replaced by higher Passenger Services Charges that were expanded in scope to include domestic passengers and to include 2-12 year old children. Also a Transit and Transfer Charge was introduced to cover transit and transfer services previously charged via the TSC.

# Cost control provides operating leverage

## Expenses

	12 months to 30 June 2014 \$m	12 months to 30 June 2013 \$m	Change %
Staff	42.502	39.953	6.4
Asset management, maintenance and airport operations	40.310	39.607	1.8
Rates and insurance	10.081	9.707	3.9
Marketing and promotions	13.750	14.138	(2.7)
Professional services and levies	6.806	7.491	(9.1)
Other	7.197	6.728	7.0
<b>Total operating expenses</b>	<b>120.646</b>	<b>117.624</b>	<b>2.6</b>
Depreciation	63.541	62.053	2.4
Interest expense	68.171	66.689	2.2

- Operating expenses per passenger fell 1.1% in FY14.

# Capital structure efficiency

- Targeting stable A- S&P credit rating.
- In August 2012 the dividend pay-out ratio was increased from 90% to 100% of underlying profit after tax.
- Capital return of \$454 million paid to shareholders in April 2014.

<b>Credit metrics</b>	<b>June 2011</b>	<b>June 2012</b>	<b>June 2013</b>	<b>June 2014</b>
Debt/Enterprise value (%)	27.2	25.8	22.8	24.7
Funds from operations/interest cover ratio (x)	3.6	3.9	4.2	4.5
Funds from operations/debt (%)	17.1	17.9	18.4	15.8
Weighted average interest cost (%)	6.57	6.52	6.21	5.95

- Expect credit metrics to strengthen over the next three years notwithstanding likely higher capital expenditure programme (30 year vision).
- No equity raisings contemplated.

**Our future**



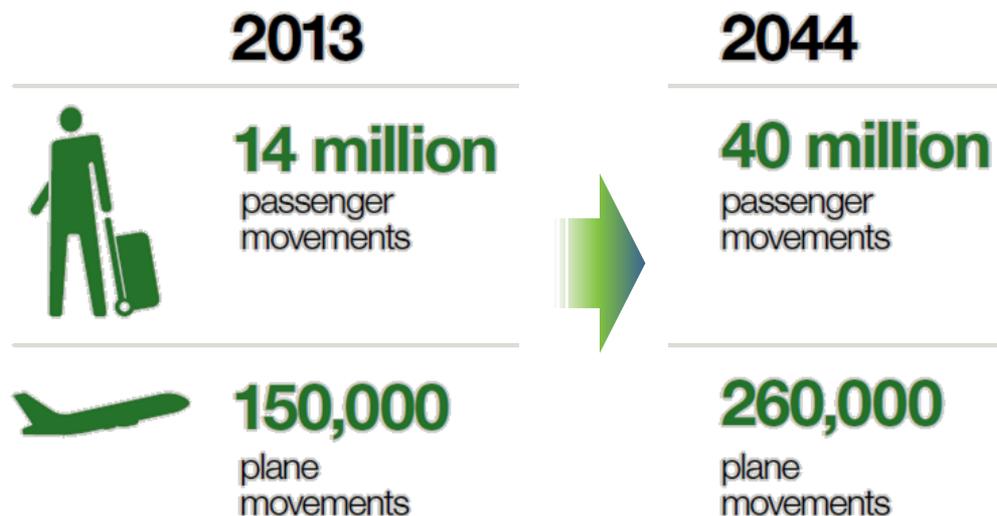
# Guidance

- Allowing for the increased interest costs from the \$454 million capital return we expect FY15 underlying net profit after tax (excluding any fair value changes and other one off items) to be between \$160 million and \$170 million.
- Due to the 10% reduction in the number of shares on issue following the capital return, this guidance would be a lift in earnings per share of between 2% and 9%.
- 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.

<b>Underlying Earnings Guidance</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Lower	100.0	93.0	112.0	130.0	143.0	166.0
Upper	110.0	100.0	118.0	140.0	150.0	172.0
<b>Over Delivery vs. mid-point Guidance</b>	<b>0.9</b>	<b>8.6</b>	<b>5.9</b>	<b>4.0</b>	<b>7.3</b>	<b>0.9</b>

# Our 30 Year Vision

## Capacity for growth to 2044 and beyond



# Our future – 30-year vision

- Auckland Airport has over 3,707 acres (1,500 hectares) of land, ensuring land availability for future development.
- The 30 year vision will be built in stages, flexible, business case lead, affordable and triggered by ongoing growth in passenger and flight movements.
- While the actual timing of the development will be driven by demand, and subject to business case approval, the current road map of what might be achieved by 2022, 2030, 2044 and beyond is outlined below:

Phase 1	Phase 2	Phase 3	Phase 4
 <p><b>updated terminal</b> 5+ years</p>	 <p><b>northern runway</b> 10+ years</p>	 <p><b>terminal expansion</b> 20+ years</p>	 <p><b>extended runway</b> 30+ years</p>
By 2022	By 2030	By 2044	After 2044
<ul style="list-style-type: none"> <li>• First phase of the combined domestic and international terminal completed</li> <li>• Construction of first phase of terminal road network, bus and public transport access</li> <li>• Construction of improved parking facilities</li> <li>• Protection of location for future rapid transit pathway station</li> </ul>	<ul style="list-style-type: none"> <li>• New northern runway operational around 2025</li> <li>• Extension of terminal forecourt</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of international and domestic piers</li> </ul>	<ul style="list-style-type: none"> <li>• The northern runway may be extended to its full length</li> <li>• Further development of roading network outside terminal precinct</li> </ul>

