

# Auckland International Airport Limited

**2010 annual meeting**



# Anthony Frankham - Chairman

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**Welcome**

**Introduction to your board**

**Today's meeting order**



# The board of directors

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**Anthony Frankham**

**John Brabazon**

**Sir Henry van der Heyden**

**Keith Turner**

**Joan Withers**

**Lloyd Morrison**

**Richard Didsbury**

**James Miller**



# Meeting order

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- 1. Notice of Meeting**
- 2. Proxies**
- 3. Chairman's address**
- 4. Chief executive's review**
- 5. Resolutions**
- 6. General Business**
- 7. Close**



# Chairman's address

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- **Where we have come from**
- **Where we are today**
- **Highlights of 2010**
- **Update since June 30**
- **Outlook for 2011**



# Where we have come from

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**Extraordinary transformation over last 15 years:**

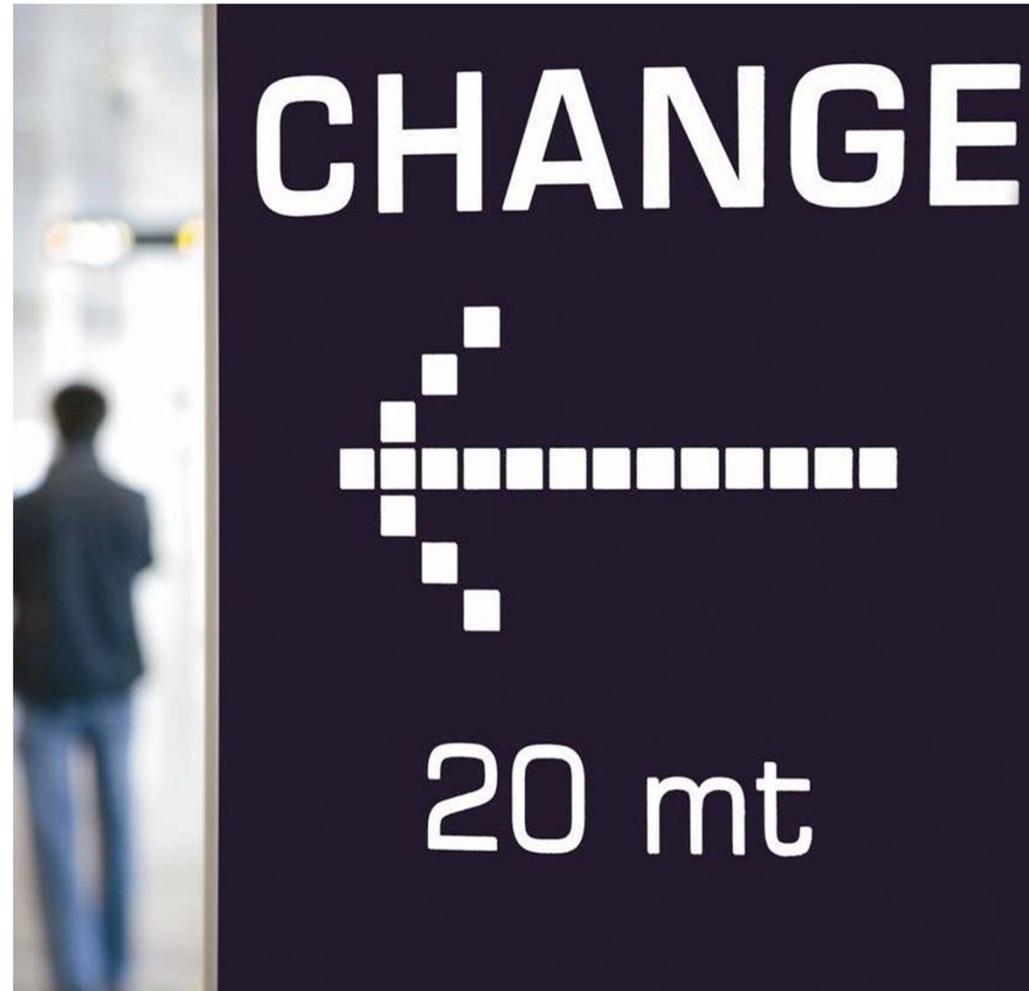
- **Passenger numbers doubled**
- **From Council department to NZX and ASX**
- **2<sup>nd</sup> runway started and ready to recommence**
- **World-class infrastructure and capacity in place**
- **Creation of Airport Business District**
- **Strategic partnerships formed with two other airports**
- **New 4+ star hotel will be completed in 8 months**
- **Assets up from \$0.4b to \$3.3b and profits grown from \$34.8m to \$105.1m**



# Where we are today

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- Rated by travellers as one of best airports in the world, with traveller experience at the heart
- An engine of economic growth for New Zealand
- Poised to play a major part in future of the new Auckland



# Board future in good hands

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- **Cohesive and committed board**
- **Strong succession planning**
- **Sir Henry Van der Heyden and James Miller joined in 2009**
- **Brett Godfrey standing today, with great airline experience**
- **Lloyd Morrison welcomed back**
- **Joan Withers to take over as Chair**
- **Have necessary skills to capture value from opportunities ahead**

# Highlights of 2010

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- Aviation sector in better health than 12 months ago
- Passenger growth returning
- Gaining traction on our growth strategy
- Better than expected results, underlying net profit of \$105.1m
- Successful equity raising
- Strategic investments into North Queensland and Queenstown
- Skytrax top 10 for second year



# Since June 30

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- **Passenger volumes up**
- **On track with our main forecasted value drivers**
- **Can confirm 2011 guidance range**
- **Dividend policy modified**
- **DRP to continue for at least 12 months**

# Outlook for 2011

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- **Growth in air-links critical to NZ economic growth – Auckland Airport can make a significant contribution**
- **Good relationship forming with new Auckland City**
- **Final commerce commission determination due in December**
- **RWC preparations to be completed**
- **Operating leverage has been set-up**
- **Guidance of \$112-118 million net profit**



# To close

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- **We value our shareholder support**
- **Chief executive Simon Moutter to follow**



# Chief executive's review

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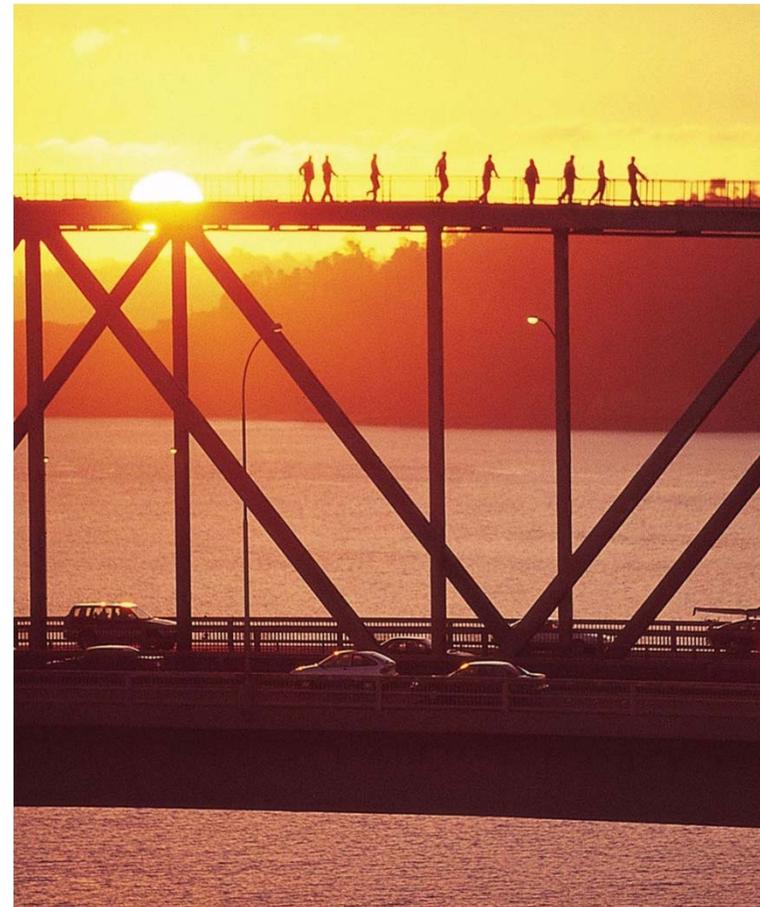
**The importance of growth economies to New Zealand and how we intend to grow air-links to reach into those markets and drive trade and tourism**



## In 2009 we said .....

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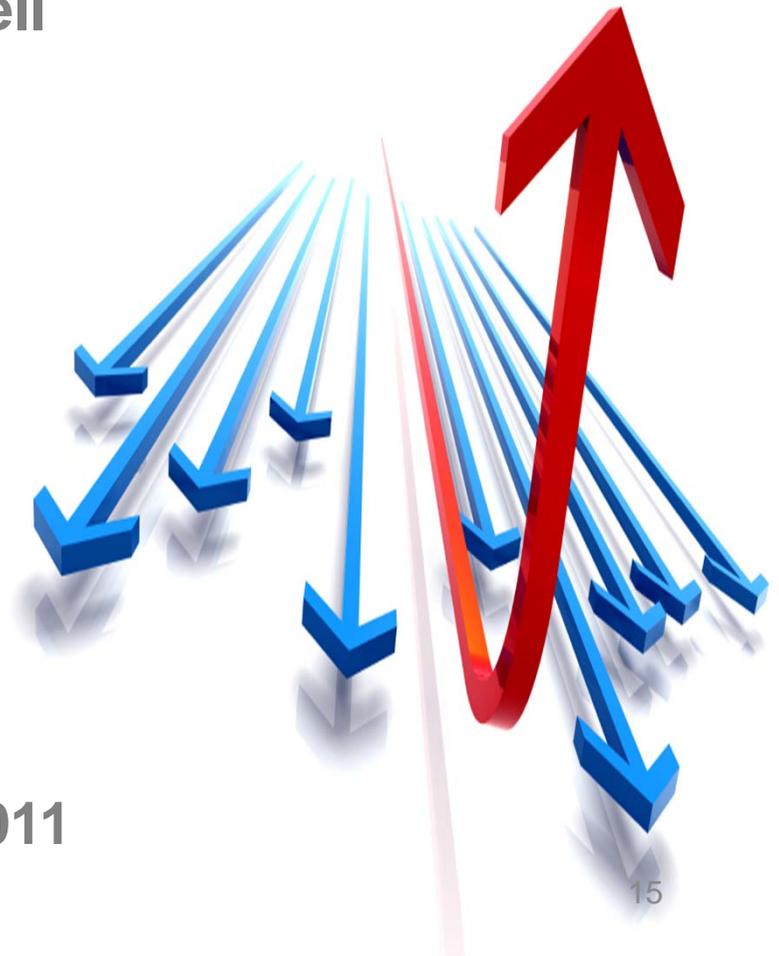
- Outlook for FY10 \$93m to \$100m
- Capital expenditure \$60m to \$65m
- Downside risks were being mitigated
- We were unsure if we were through the worst
- Building high upside leverage to economic recovery or early return to passenger growth trend-line



# How did we go?

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- Underlying profit at \$105.1m was well up on guidance
- Capital expenditure managed down further to \$54.3m
- Revenue \$363m down only 1.4%, in tough market conditions
- Downside risks under control
- Passenger volumes back on the increase in second half
- Operating leverage set for strong 2011



# Our 2010 learning's

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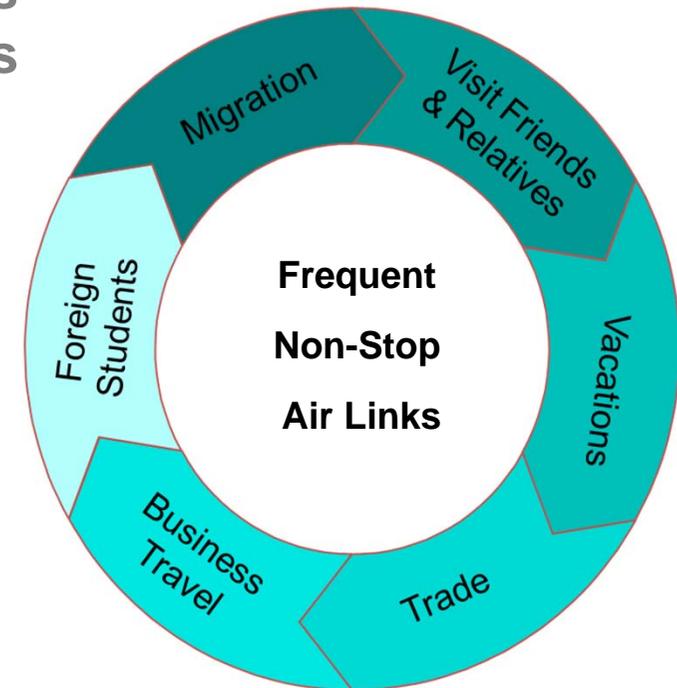
- Growth is fuelled by air-links
- Trade is stimulated by tourism
- NZ tourism mix still unbalanced
- Tiger economies are critical
- Aviation dynamics changing
- Need for balanced carrier focus
- Our strategy is beginning to impact



# Growth is fuelled by air-links

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- Our strategy is to grow passenger volumes by expanding air-links with growth markets
- Tourism NZ and MED have also identified growth in air-links as a key priority
- Air-links drive passenger traffic, business activity, and high-value exports
- WTO research suggests strong link between traffic volume and degree of air-service liberalisation
- Growth markets need frequent, and preferably non-stop, air-links to be 'effectively close' to NZ



# Trade is stimulated by tourism

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- Tourism is a precursor to trade
- 90% of high-value global air freight transported in belly-holds of NZ passenger aircraft
- Travel is a critical enabler for freight, business links and migration
- Government priority ‘to increase tourism's economic contribution’
- Tourism NZ aim is ‘to increase value added to New Zealand economy from international visitors’



# Tiger economies vital to NZ

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- Asia now biggest travel market in world and forecast to grow the fastest
- If Asians travel as often as Americans, the global air travel industry will treble
- Asia, Latin America and Middle East driving growth in global travel demand



# Need for balanced carrier focus

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- Low fare carriers and global hub carriers rapidly expanding and targeting growth markets
- National airline business models under market pressure in many countries
- New generation aircraft impacting route economics and opening new direct route opportunities
- New aircraft orders largely focused on high-growth markets, Asia in particular
- Need to balance growth in 'New age' carriers alongside strong traditional and flag-carrying airlines to reach into growth markets



# Our strategy is beginning to impact

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- Traveller focused strategy in place and delivering growth outcomes
- Principal goal is to accelerate international passenger movements
- Growth markets and balanced mix of airlines key to success
- Will capitalise on new generation 'hub-busting' aircraft
- Seeking industry and agency alignment on market priorities and optimal carrier mixes for benefit of NZ



# We've had a clear focus

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- **Refocused business to sales-led engine of growth**
- **Redirected resources into fuelling growth in travel, trade and tourism**
- **Expanded footprint to increase influence with airlines and agencies to boost passenger volumes**
- **Invested heavily in customer service, efficiencies and product choices**
- **Kick-started development of the Airport Business District**



# We are busy growing air-links

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- **Extra 2 million+ committed seats across Auckland, Queenstown, Cairns and Mackay, including:**
  - **Jetstar: AKL to Singapore 220,000**
  - **Jetstar: Cairns to Osaka 126,000**
  - **Continental: AKL to Houston 138,000**
- **Investing several millions annually in partnered promotional activity to help fill these seats**
- **High concentration of sales effort and marketing investment into Asia**
- **Won 2010 Routes Global Marketing Award for Asia**



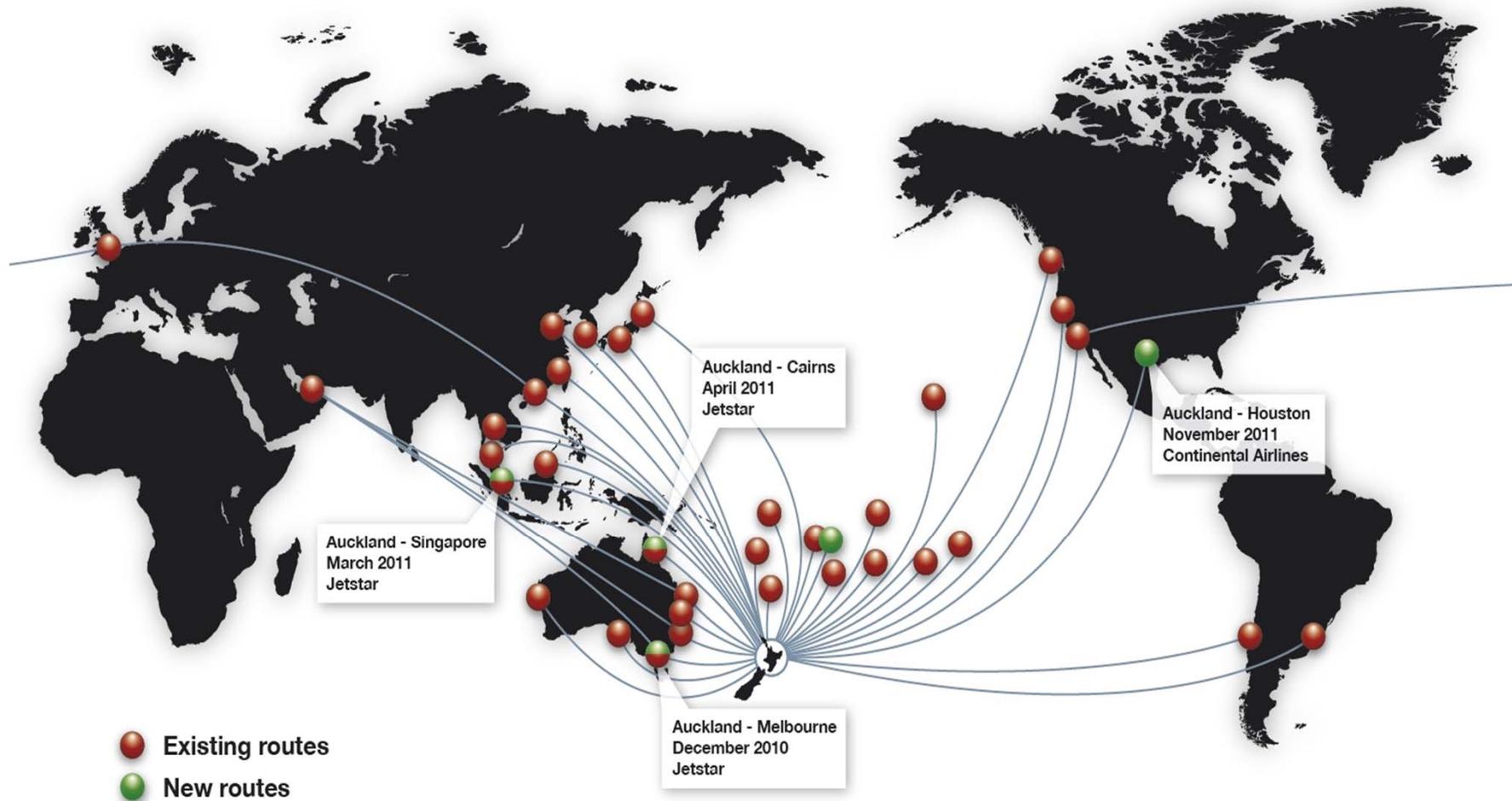
# Airport partnerships are helping

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- Beefing up our offer through partnerships with like-minded and synergistic airports
- Cairns & Mackay and Queenstown alliances cemented by minority ownership stakes
- Collaborating on development of air links and multi-destination marketing when pitching to airlines
- Cairns turnaround well underway with 31% international pax growth in first quarter
- Queenstown high growth continuing with 31% international growth in 1<sup>st</sup> quarter



# We are growing our Auckland connections



# We are getting more efficient

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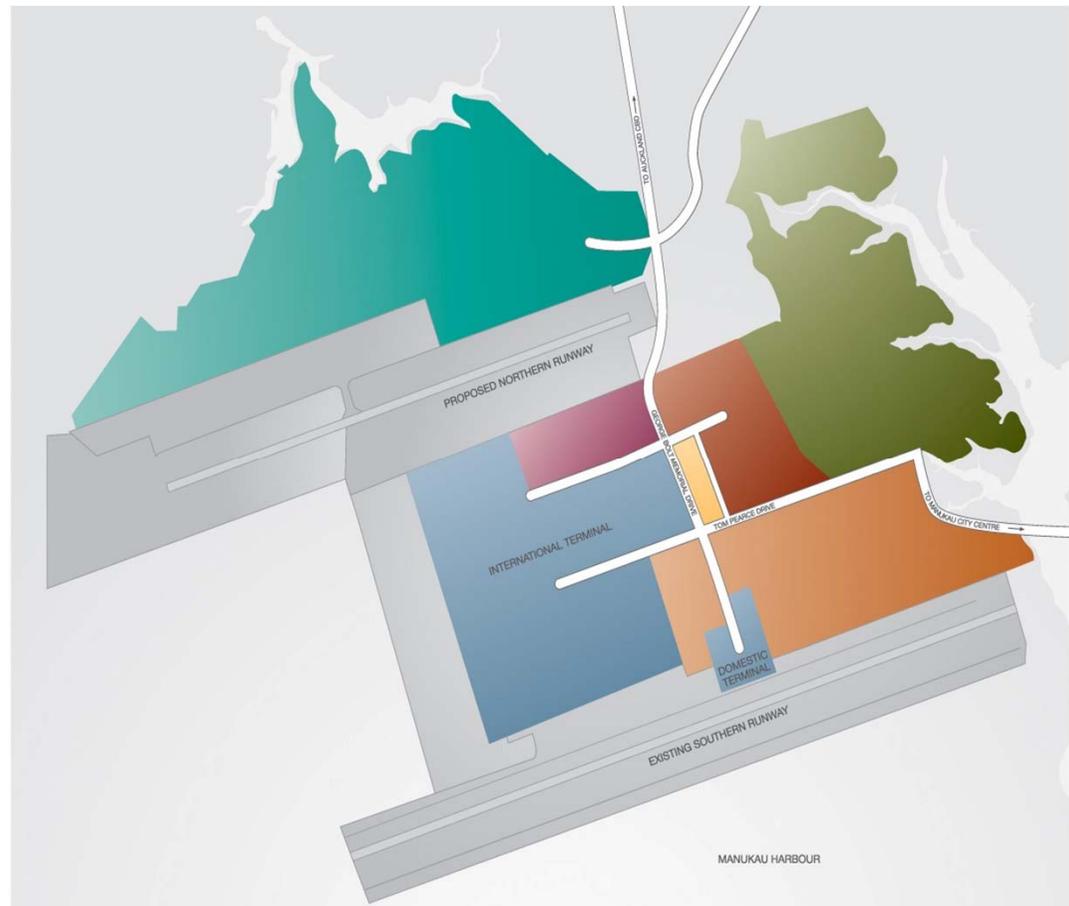
- Process efficiency and new technology enables more passengers using current infrastructure
- Self-service check-in, SmartGate and Lean Six Sigma programme succeeding in providing simplified border process



# Our Airport Business District is thriving

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- Airport Business District plan achieved \$115m deals in last year
- 50 years supply of prime commercial and industrial land available
- Airport location becoming even more central to city
- Location of choice on broad range of attributes
- Customer aligned “property partner” approach



# We are using our assets sensibly

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- Master planning review complete
- Northern runway construction deferred for a few more years
- New roading plan developed to avoid \$150m of uneconomic roading construction
- Craigie Trust claim convincingly won to remove over-hang on commercial land holdings
- Rapidly improving transport links and advocating for more



# Making a big investment in Retail

- Most of way through \$50m international terminal retail redevelopment
- New duty-free shops open and going well
- Deploying ‘proactive landlord’ model to terminal retailing
- Focused on good-better-best choices in every product category
- Competing very strongly in highly active car-parking market



# A regulatory path is clearing

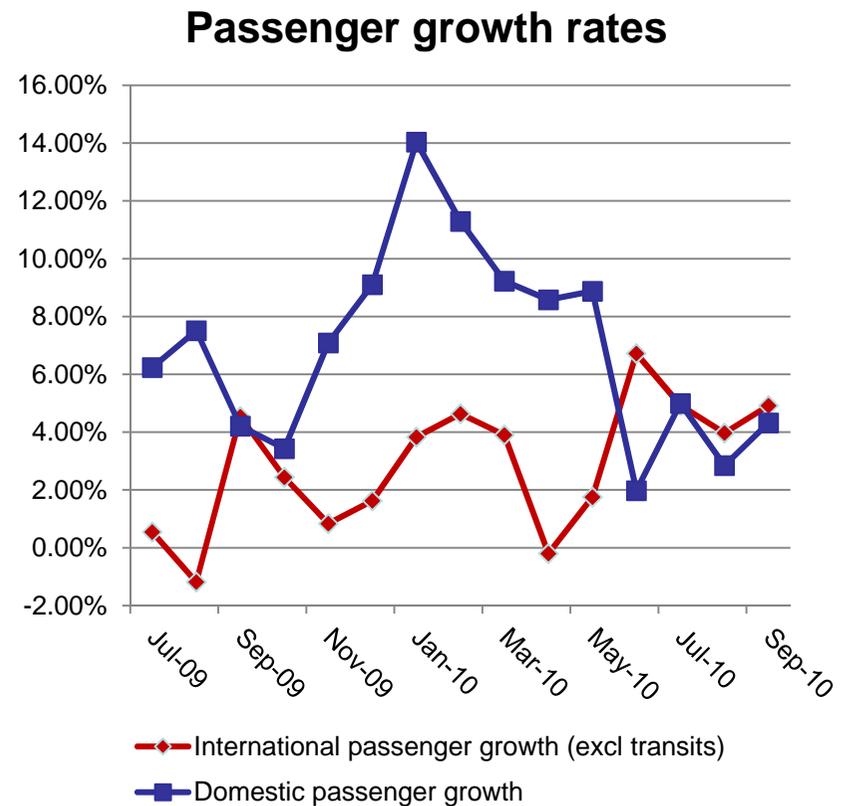
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- **Draft determination of Commerce Commission 31 May 2010**
- **Land valuations based on market value alternative use (MVAU) with revaluations going forward**
- **Land held for future use is included in regulated asset base when commissioned (including holding costs)**
- **Final determination due in December 2010**



# Passenger volumes are growing

- First quarter of 2011 financial year up 4.6% for international (ex transits) and 2.6% for domestic
- Continues recent growth trend, with pax growth rebounding well in second half of the year from low in March 2010
- International growth on upward trend, domestic growth flattening in near term with impact of Pacific Blue withdrawal to be felt in next few months



## 2011 and beyond: cleared for take-off

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The primary goal of our strategy is to accelerate business growth at Auckland Airport

We expect 2011 profit in the range of \$112 to \$118 million assuming international passenger growth in the order of 5% (excluding any fair-value changes and other one-off items)

Double digit profit growth is a possible outcome of strategy by:

-  Growing airline passenger capacity to drive future passenger growth
-  Increasing aeronautical revenues
-  Improving retail yield
-  Investing in property development
-  Managing capital expenditure
-  Benefiting from operating leverage

**We are determined to drive trade  
and tourism growth for the benefit  
of our shareholders and all of  
New Zealand**

determination<sup>NZ</sup>

# Resolutions

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- **Constitution provides for up to eight directors**
- **Two directors standing for re-election**
- **One new director standing for election**
- **All to address meeting**
- **Voting by way of poll at end of meeting**

# Re-election of director

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## Re-election of Lloyd Morrison



# Re-election of director

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## Re-election of Joan Withers



# Election of director

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## Election of Brett Godfrey



# Auditors

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- **Deloitte is automatically reappointed as auditor**
- **Auditors fees to be fixed by the directors**



# Directors' fees

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- **Last increase in 2007**
- **Proposed increase well below independent recommendation**
- **Will involve share purchases to better align interests**
- **Reflects significant repositioning of company in last two years**



# General Business

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**Please wait for microphone  
and please state your name  
before asking a question**



# Retirement of Chairman

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**Address by Joan Withers**



# Polls and close

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- **Polls to be conducted**
- **Formal proceedings closed**
- **Thank you for your attendance**
- **Please join us for refreshments**



**Thank you**

