

# Auckland Airport

Retail investor roadshow

Dunedin, Christchurch, Hamilton

28-29 May 2012





**Simon Robertson**  
Chief Financial Officer

# Auckland Airport is a great airport asset

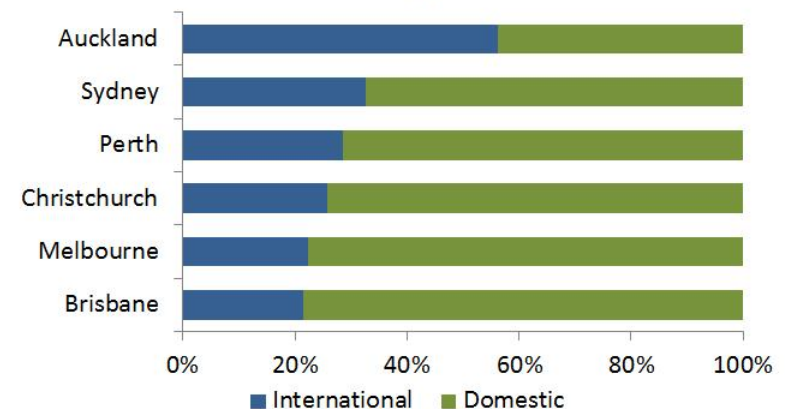
The attributes of Auckland Airport provide investors with a strong investment proposition:

- Only commercial airport in New Zealand's largest city
- No curfew, operating 24 hours a day
- High proportion of international passengers
- Over 70% of New Zealand's visitors arrive or depart from Auckland Airport
- Major centre for business and trade in New Zealand
- 50% of New Zealand's total population within a two hour drive of the airport
- Award winning customer service – a top 10 airport in the world 3 years running, last 4 years best airport in Australia/Pacific

International passengers (millions)



Comparison of International vs Domestic passengers





# ... with a significant land bank

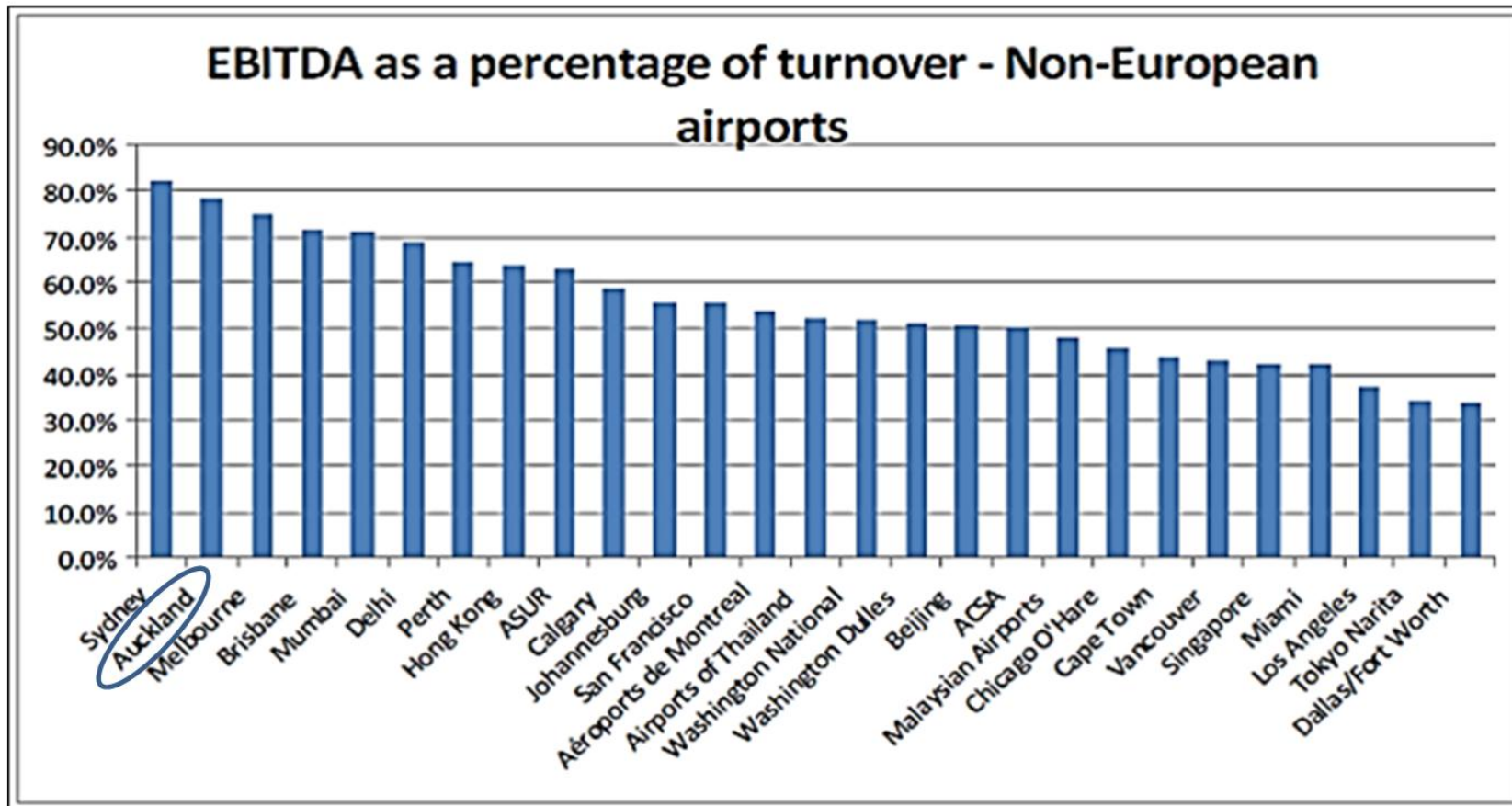
**Auckland Airport owns over 1,500 hectares of freehold land**

**The land holding ensures there are no constraints on the airport's long term growth, as well as providing opportunities for growth from rental income stream**



## ... and world class EBITDA margins

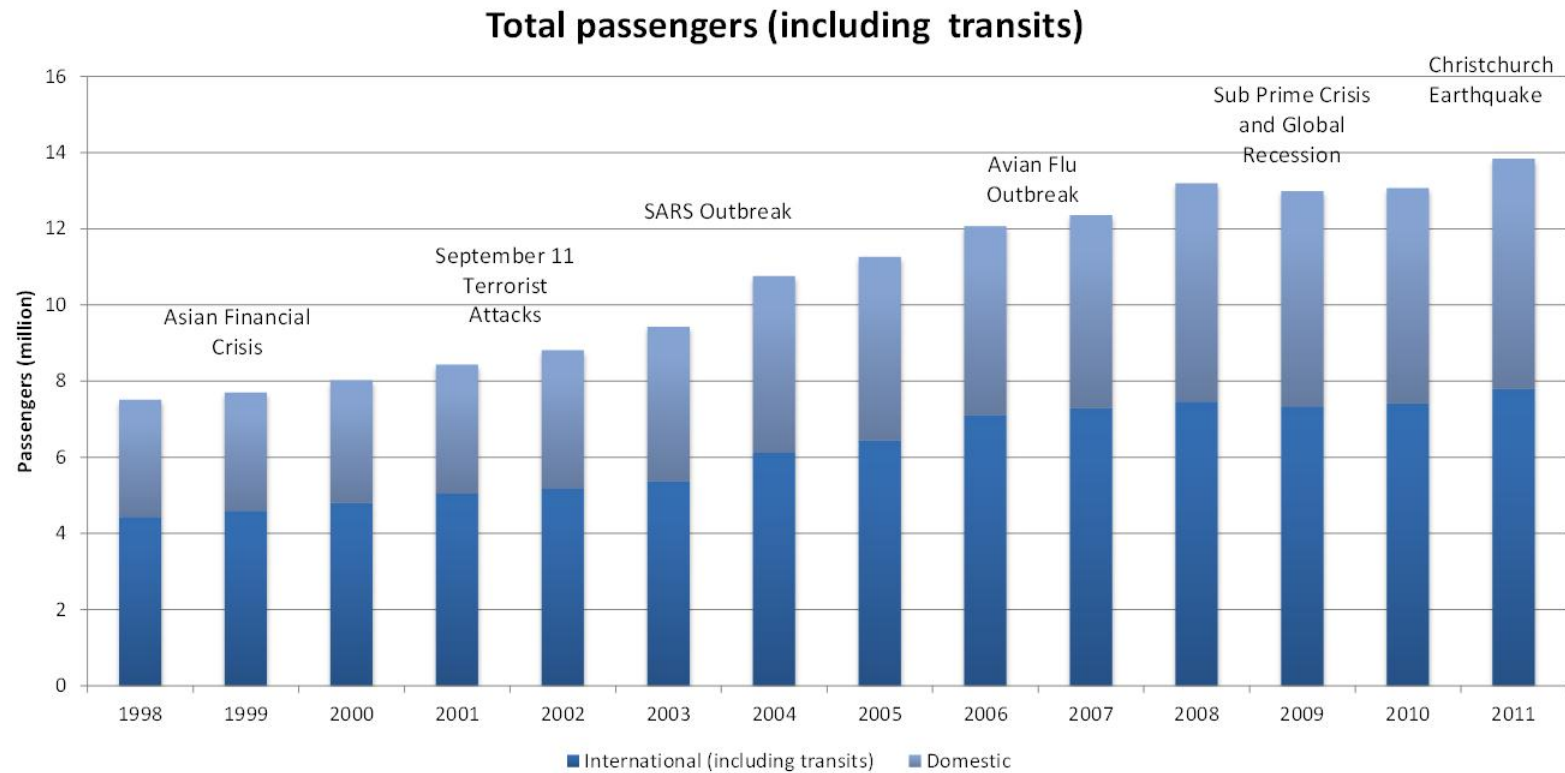
Auckland Airport has consistently shown we are world-class at delivering revenue growth to bottom-line performance



Source: LeighFisher Management Consultants Airport Performance Indicators 2011 Report

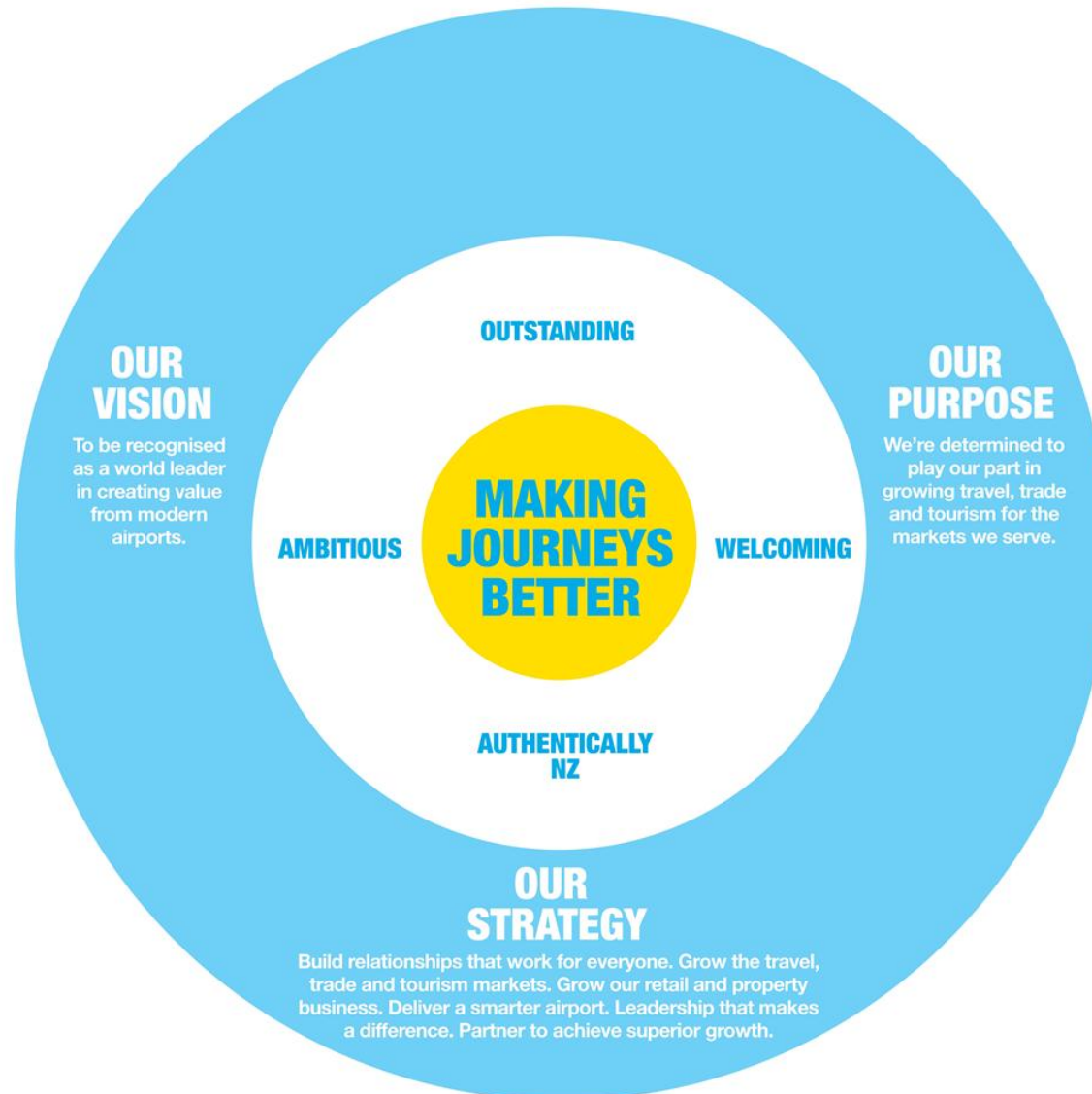
# The business is robust

The business has proven its resilience during times of stress in global economies or during times of external negative events.





# ... with a clear vision for the future



# Our strategy is having success

In March 2009 Auckland Airport launched its “Flight path for Growth” which has evolved over time

Today we are a different company to 3 years ago:

- We have ownership interests in four airports (Auckland, Cairns, Mackay, Queenstown)
- Fuelling growth in travel, trade and tourism for Auckland and New Zealand
- Working in unison with Government and the tourism industry
- Winning awards for passenger experience, route development and retailing excellence
- Running ahead of the market on property development
- Delivering strong profit growth



**Strong execution of strategy across the business is delivering results**



# Ambition 2020 highlights our travel, trade and tourism goals

In May 2012, Auckland Airport announced “Ambition 2020” – an initiative to accelerate growth in volume and value generated from international visitors

- Potential to grow New Zealand’s international visitor arrivals to over 3.5 million by 2020, up from 2.6 million in 2011
- Value for the country generated by visitors could grow ahead of estimates to at least \$8.5 billion
- Working with airline customers to attract more flights, on more routes, from key source travel markets, and working with industry to attract a more valuable mix of visitor segments
- Focus on Asia, Americas and Australasia
- Variety of initiatives already in place to achieve Ambition 2020 and with further work to come.



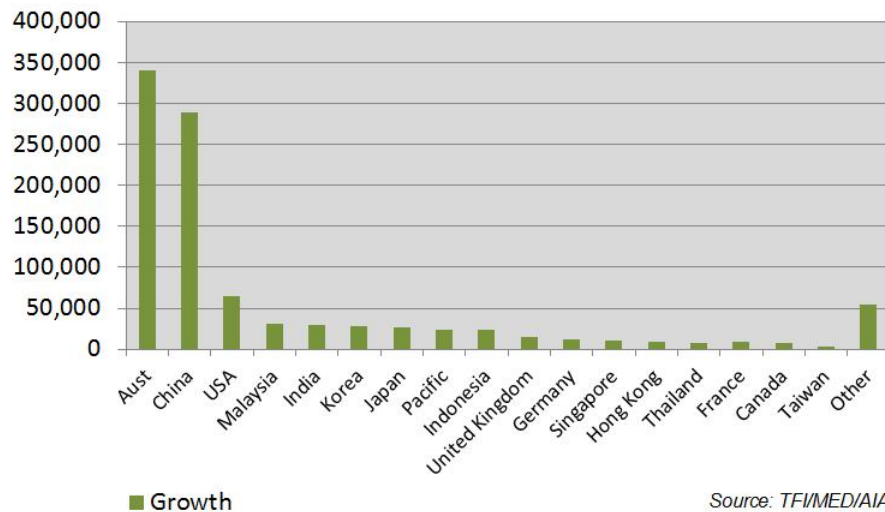
# Long Horizon View of Growth Potential

Asia, particularly China, shows the highest potential for both visitor growth and added value to New Zealand, Auckland Airport and our shareholders.

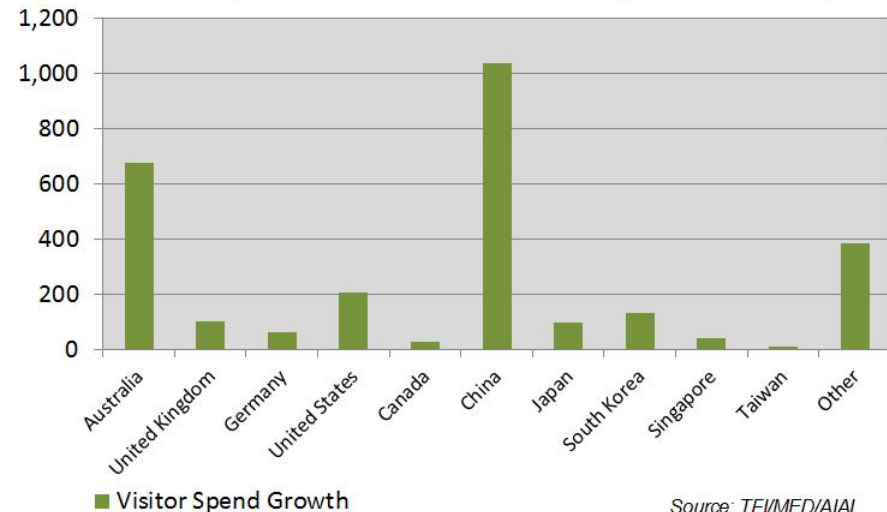
By 2020, it is estimated visitor arrivals could grow to 1.5m from Australia and 900,000 from Asia (China 400,000, Japan 100,000).

It is estimated that visitor spend growth will be driven by Asia to become New Zealand's largest value market worth \$2.75 billion (China \$1.5b, Korea \$330m, Japan \$300m).

Growth in Visitor Arrivals 2011-2020



Visitor Spend Growth 2011-2020 (NZD Millions)



# **Aero development remains focused on key growth markets**

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**Aero development team remains focused on Asia, Australia, and the Americas in building sustainable route development to destinations within one-flight**

**Challenging operating conditions for airlines means it is essential for Auckland Airport to help ensure existing and new services are sustainable**

**Continued support from Tourism New Zealand and Government has assisted in removing some barriers to growth**

**New air-rights agreement with China has tripled the number of potential flights to China, opening up airline growth opportunities**

**MOU signed between Auckland Airport and Garuda Indonesia to commit to re-opening air-links between Indonesia and NZ**

**Positive developments (e.g. seasonal Air NZ Bali and Sunshine Coast services, Emirates up-gauge) and some negative developments (e.g. Qantas withdrawal on LAX), highlight how different airlines are adapting their growth strategies to aviation challenges and opportunities**



# Strong passenger growth in all airports

	10 months to 30 April 2012	10 months to 30 April 2011	% change
<b>Auckland International Airport</b>			
International passengers (including transits)	6,651,228	6,308,184	5.4%
Domestic passengers	5,238,819	5,128,399	2.2%
<b>Total passenger movements</b>	<b>11,890,047</b>	<b>11,436,583</b>	<b>4.0%</b>
<b>Queenstown Airport</b>			
International passengers	177,326	146,860	20.7%
Domestic passengers	731,840	667,819	9.6%
<b>Total passenger movements</b>	<b>909,166</b>	<b>814,679</b>	<b>11.6%</b>
<b>Cairns Airport</b>			
International passengers (including transits)	663,751	627,841	5.7%
Domestic passengers	2,741,593	2,674,848	2.5%
<b>Total passenger movements</b>	<b>3,405,344</b>	<b>3,302,689</b>	<b>3.1%</b>
<b>Mackay Airport</b>			
Total domestic passengers	927,215	865,326	7.2%

# Retail sales growth continues post refurbishment

**International terminal development boosting retail revenue in all areas:**

- **Duty Free (arrivals and departures)**
- **Food and Beverage (outlets before and after security)**
- **Specialty stores**

**Passenger mix contributed to retail income per international passenger increasing to \$16.25 in the six months to 31 December 2011, from \$15.35 in the six months to 31 December 2010. Passenger spend growth rates expected to ease as we lap a period of strong growth.**

**Continue to focus on improving the passenger experience and product (e.g. Emperor Lounge, inter-terminal bus).**

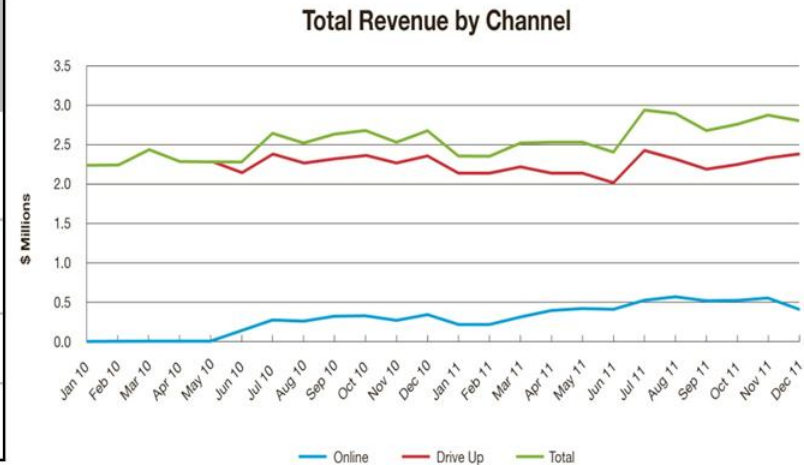
**We are investigating new initiatives around “Smart Airports” including a personalised, customer targeted approach to retail marketing to improve the passenger experience and increase retail revenue.**

Passenger retail spend growth (excluding FX)



# Car park yield management delivers results

Car park product offering at Auckland Airport		
International Terminal	Domestic Terminal	Park & Ride
Proximate short-term and long-term parking options	Multi-level car park with direct connectivity into terminal	Opened December 2008
Covered and uncovered parking	Covered and uncovered parking	Prominent location, 24/7 shuttle with GPS, high security
3,140 public parking bays	2,290 public bays	650 parking bays
In addition, there are 2,515 staff car parks across domestic and international terminals which can be leveraged for customer parking at peak times.		



**Parking facilities for over 8,500 cars. Active competition from off-airport operators helping hone our pricing and marketing skills.**

**Online parking now makes up 18% of total car park revenue.**

**Parking products available to suit all market requirements.**

**Continuing to fine-tune our offers, our marketing and our add-on products to maximise car parking performance and revenue yield management.**

**We are exploring how we can utilise this direct to consumer channel to improve the passenger experience in the terminals and other commercial propositions.**



# Property development strong in a slow market

**Over 1,500 hectares of freehold land with over 440 hectares available for commercial development.**

**Aspirational target is to grow property segment revenues from \$30m FY09 base to rent roll of \$50m by FY14.**

**Property segment revenues up \$1.8m (+10.0%) in the six months to 31 Dec 2011 reflecting property development completions in a very tough market.**

**Toll warehouse facility was completed in March 2012 and other projects near completion include a CEVA Logistics warehouse & office (May 2012) and Quad 5 4-level office building (July 2012).**

**Two stand-alone speculative warehouse facilities are also under development to match demand unable to be met due to our current low vacancy levels.**



# 'Smart Airport' business emerging

**New customisation and collaboration 'smart' technologies rapidly emerging, alongside new consumer behaviours – which is changing the nature of airport travel**

**Airport self-processing technologies such as SmartGate already providing significant time-savings and efficiencies for consumers**

**Advanced passenger display providing smarter resource allocation for airport agencies**

**Domestic-like international travel enabled by technology-driven passenger processing**

**Opportunity for smart retailing and customised service propositions using emerging mobile technologies**

**Flexible airport infrastructure uncapping growth and allowing more airline service differentiation**



# Path towards a smarter airport to lift the domestic passenger experience

Growing demand serviced by larger A320 aircraft and faster passenger processing capabilities mean the existing domestic terminal is reaching the end of its useful life.

We have been engaging with the main domestic operators to develop a solution for all parties – making the most efficient use of existing infrastructure and avoid building excess capacity too far ahead of demand. This is required before capacity increases with A320 aircraft deliveries in calendar year 2014.

We remain committed to a consultation process that will deliver the best long-term solution for stakeholders.

Our vision will incorporate modern airport thinking on airport design, technology, processes and consumer demands to deliver a modern, smarter airport





# Supportive regulatory environment

**Airport regulatory regime in New Zealand is dual-till with information disclosure**

- **Aeronautical till: subject to limited competition and therefore regulated**
- **Non-aeronautical till: subject to open market competitive forces – not part of regulatory regime**

**No price control on regulated aeronautical charges. Regime allows Auckland Airport to set prices following consultation with substantial customers.**

**Regulatory outcomes monitored by new information disclosure requirements covering returns, service quality, investment and innovation.**



# Price consultation with airlines near completion – 5 year price path

Auckland Airport commenced confidential aeronautical pricing consultation under the Airport Authorities Act in August 2011.

Pricing consultation covers landing charges, passenger service charges and terminal service charges for a five year period from 1 July 2012.

There are two key components in determining appropriate charges:

- a) Forecasting the level of new investment over the next 5 year period which we believe can be managed to moderate levels inclusive of investment in domestic facilities
- b) Delivering higher revenues through volume growth

Together these can alleviate the need for significant price increases.

The consultation process to date has been thorough, undertaken with BARNZ and a wide range of airlines. Two pricing proposals have been issued and we have received feedback from BARNZ and substantial airlines, including airline presentations direct to the Auckland Airport board in mid-May.

Final pricing schedule will be issued by Auckland Airport at the beginning of June.

# Partnering with NQA continues to grow EBITDA

NQA Performance	6 months to 31 Dec 2011	6 months to 31 Dec 2010	% Change
<b>Passenger Movements (million)</b>			
International - Cairns (ex transits)	0.424	0.397	6.7
Domestic – Cairns & Mackay	2.301	2.265	1.6
<b>Financial Performance (AU\$m)</b>			
Total revenue	57.3	53.4	7.4
Expenses	19.8	21.1	(6.1)
EBITDAFI	37.5	32.3	16.2
Profit after taxation	5.8	0.2	2284.9

Cairns performs strongly in light of global events such as Japan earthquake with international passenger numbers still up 6.7%

Revenue and EBITDAFI easily surpass prior period performance up 7.4% and 16.2% respectively

Cash dividends received relating to the six months period were AUD4.836m up from AUD3.805m (+27%)

We are highly supportive of NQA's growth plans and would invest further if an opportunity becomes available and the price was right



# Partnering with Queenstown delivers international growth

Queenstown Airport Performance	6 months to 31 Dec 2011	6 months to 31 Dec 2010	% Change
<b>Passenger Movements</b>			
<b>International</b>	118,840	91,371	30.1
<b>Domestic</b>	399,070	384,213	3.9
<b>Financial Performance (\$m)</b>			
<b>Revenue</b>	8.5	7.7	9.9
<b>EBITDAFI</b>	6.2	5.9	4.9
<b>Profit after taxation</b>	2.8	3.0	(5.1)

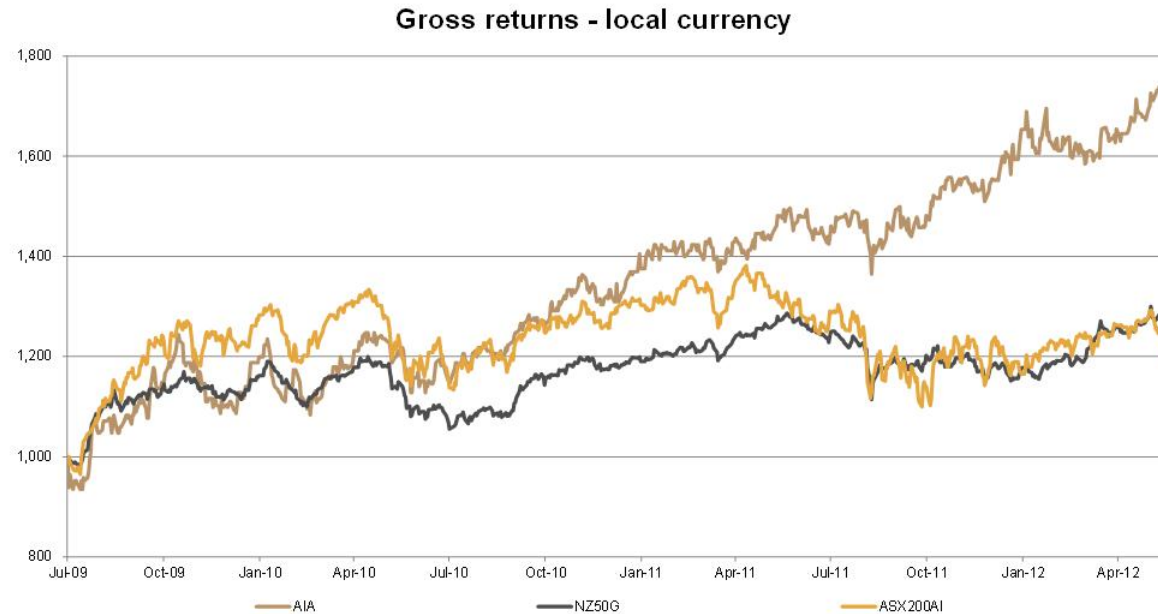
Passenger volume growth continues to surpass expectations with international passenger growth of 30.1%

Operating expenses up \$0.5m from volume related expenditure, promotions and planning consultation

Depreciation and interest increase following capital expenditure investment resulting in a flat profit performance

First dividend of \$0.822m was received on 31 August 2011 and a further \$0.250m on 31 January 2012

# Growth strategy driving results for shareholders



	Share Price Opening	Share Price Closing	Dividend (cps)	Total return (cps)	Total shareholder return %
1 July 2009 to 30 June 2010	1.61	1.87	0.082	0.342	21.2%
1 July 2010 to 30 June 2011	1.87	2.23	0.087	0.447	23.9%
1 July 2011 to 21 May 2012	2.23	2.54	0.044	0.354	15.9%*

\* Over 11 months

# Looking ahead

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**We believe we provide a low risk exposure to the Asian growth story**

**Ownership position in four airports all with considerable long-term upside potential**

**Quality execution of business strategies across the group will provide further opportunities for long term growth for shareholders**

**We expect profit for FY12 to be at the top end of the previous guidance range of in the \$130 millions (excluding fair value changes and one-off items)**





Questions?

