Investors Update
407 International Inc.
June 17 & 18, 2019



Disclaimer/Disclosure

- This presentation has been prepared by 407 ETR.
- The financial information presented is taken from quarterly and year-end statistics that have been disclosed publicly.
- All financial amounts are shown in Canadian dollars unless otherwise indicated.
- Additional information relating to 407 ETR and / or 407 International, including the 2018 Annual Information Form dated February 7, 2019, can be accessed on SEDAR.
- The statements about expected future events and financial and operating results are forward-looking. Forward-looking statements may include words such as anticipate, believe, could, expect, goal, intend, may, outlook, plan, strive, target and will. These statements reflect internal projections, expectations, future growth, performance and business prospects and opportunities, and, as they are subject to a number of risks and uncertainties, you are cautioned not to put undue reliance upon such statements as they may differ from actual results and developments.

Shareholders

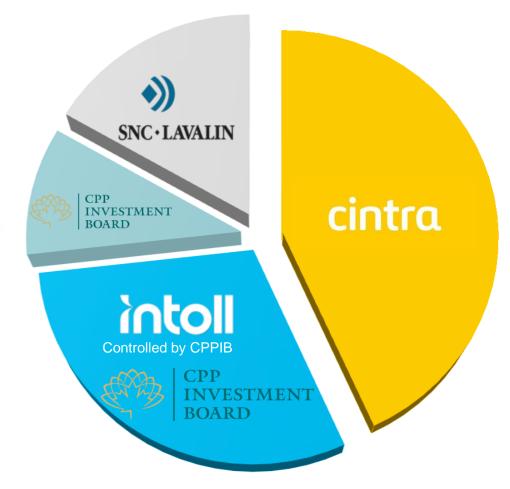
407 International Shareholders, May 31, 2019

SNC Lavalin: 16.77%*

Engineering, construction and investor in infrastructure projects. Developer and Initial Investor.

CPPIB: 10% + 30%

Canada Pension Plan Investment Board. Over \$368.5B under mgmt. Bought 10% of Cintra interest and Intoll in 2010.



Cintra: 43.23%

100% subsidiary of Ferrovial. Owns and operates toll roads worldwide. Developer and Initial Investor.

^{*} SNC-Lavalin announced that it will sell 10.01% of the shares of the Company.

2018 Highlights

2018 Highlights

2018 2017 % Variance Traffic/Trips (in millions) 126.625 125.738 0.7% Average Workday Number of Trips (in thousands) 415.429 413.381 0.5% VKTs (in millions) 2,747.482 2,708.588 1.4% Average Trip Length (kilometres) 21.70 21.54 0.7% Unbillable Trips (percent) 2.36 2.26 4.4% Average Revenue per Trip (\$) 10.86 9.96 9.0% Transponder Penetration Rate (percent) 82.1 82.1 0.0% Transponders in Circulation as at December 31 6.3% 1,525,396 1,434,485

Operations

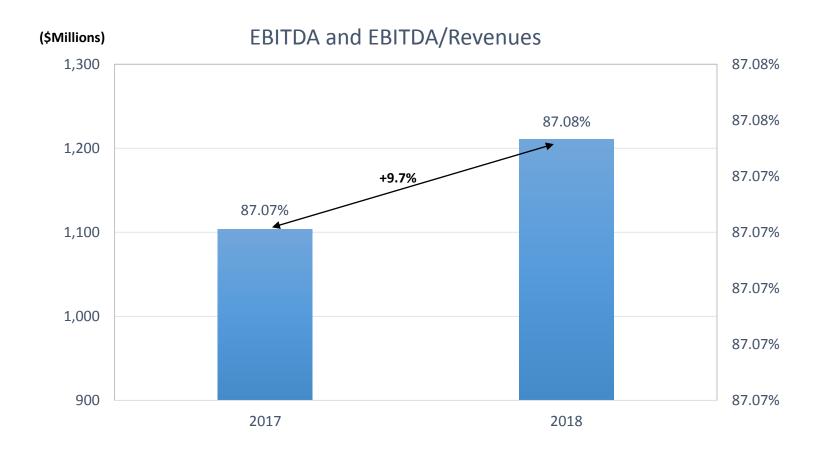
Financials

\$ millions	2018	2017	% Variance
Revenues	1,390.3	1,267.7	9.7%
Operating Expenses	179.7	163.9	9.6%
EBITDA	1,210.6	1,103.8	9.7%
Net Income	539.0	470.1	14.7%
Cash Balance (December 31)	308.1	763.1	-59.6%

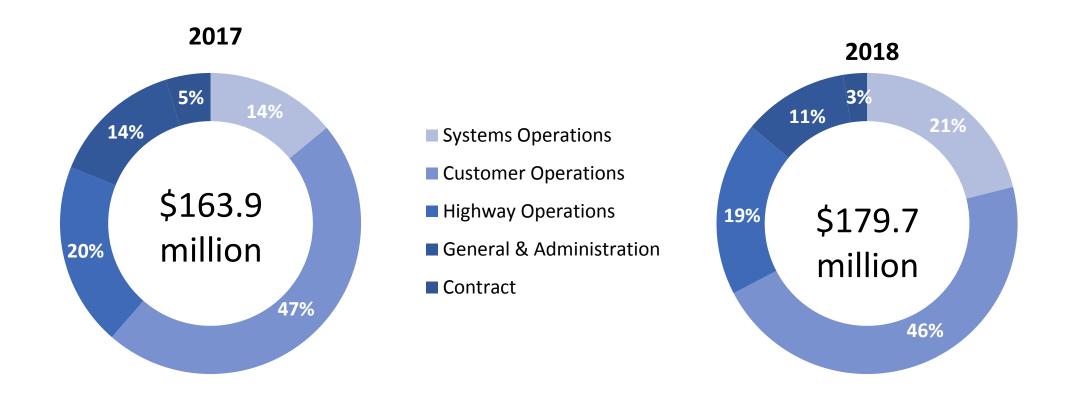
2018 EBITDA Highlights

+ \$106.8 million

9.7% increase to EBITDA

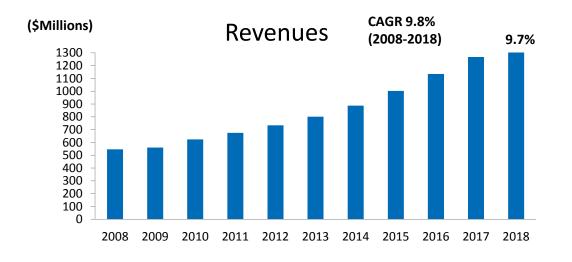


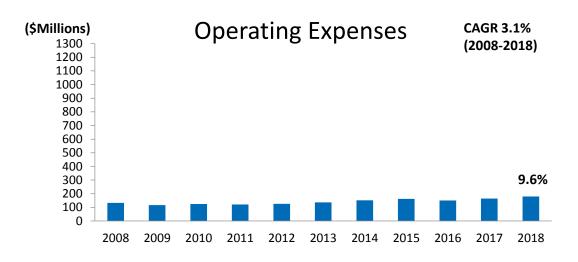
2018 Operating Expenses

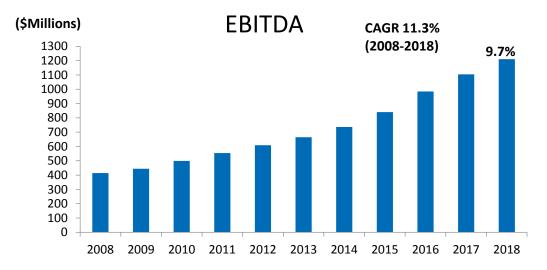


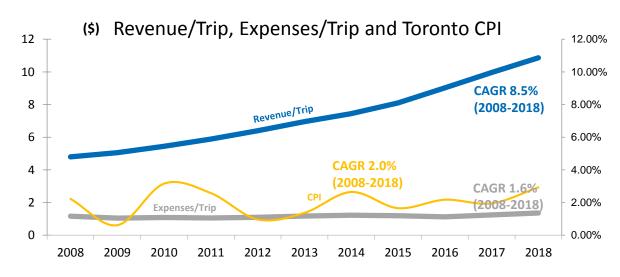


Financial Performance









Traffic Performance

2018 Traffic Performance

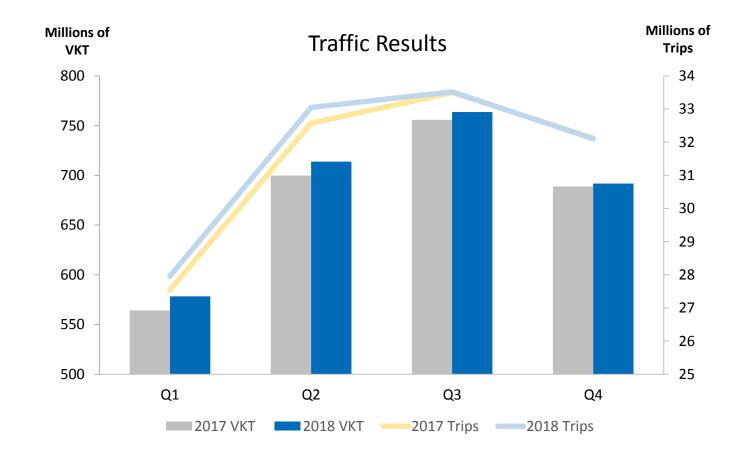
1.4% traffic growth in VKT

0.7%

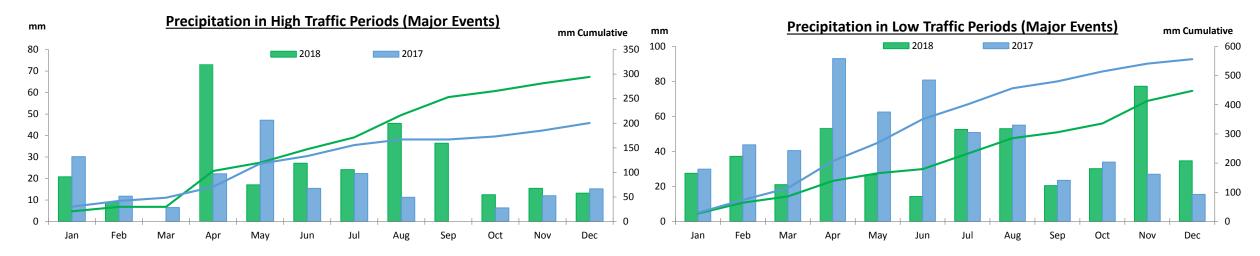
increase in trips

0.7%

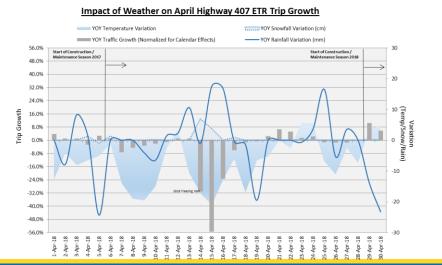
increase in average trip length



2018 Traffic Performance – Weather



- 2018 experienced more adverse weather events impacting high traffic periods compared to 2017 and fewer events in low traffic periods.
- 2018 experienced extreme weather events including record low temperatures in April 2018 and major flooding in August 2018.



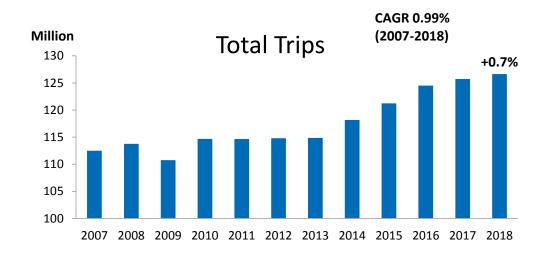


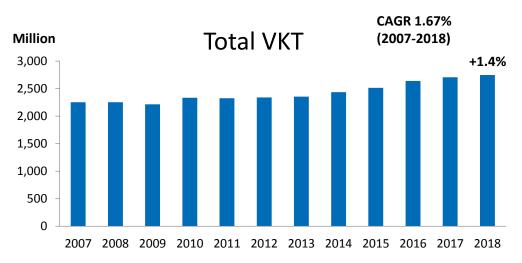


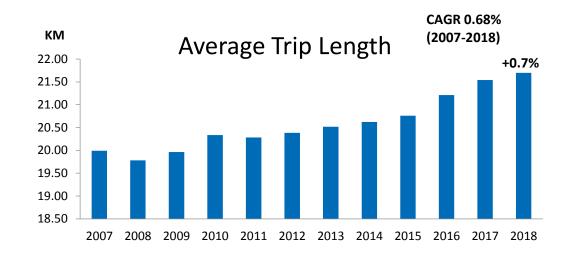
Police officers look on as water floods King St. W. during heavy rain, stopping a streetcar in Toronto on Tuesday, August 7, 2018.

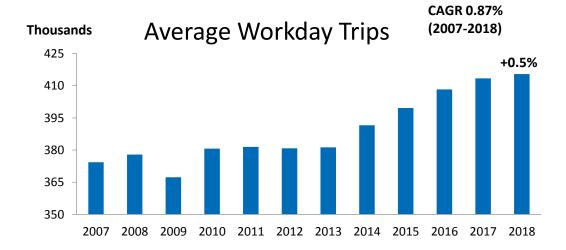
SHLOMI AMIGA/THE CANADIAN PRESS

Traffic Performance

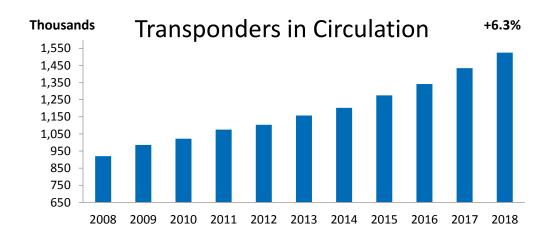




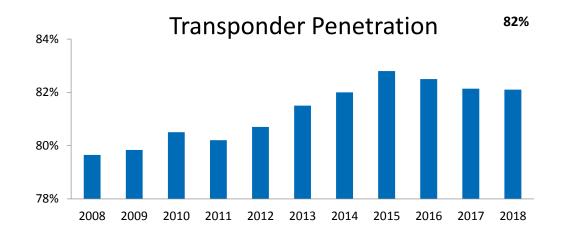




Transponder Usage



1.5 million transponders in circulation



407

Light

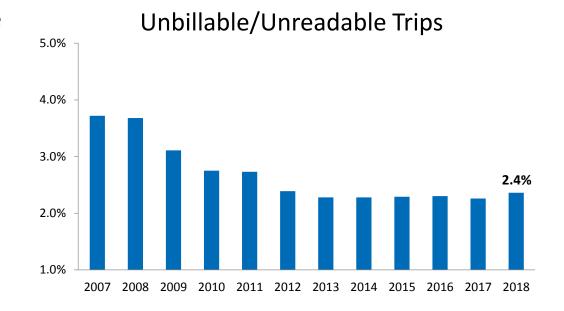


Heavy

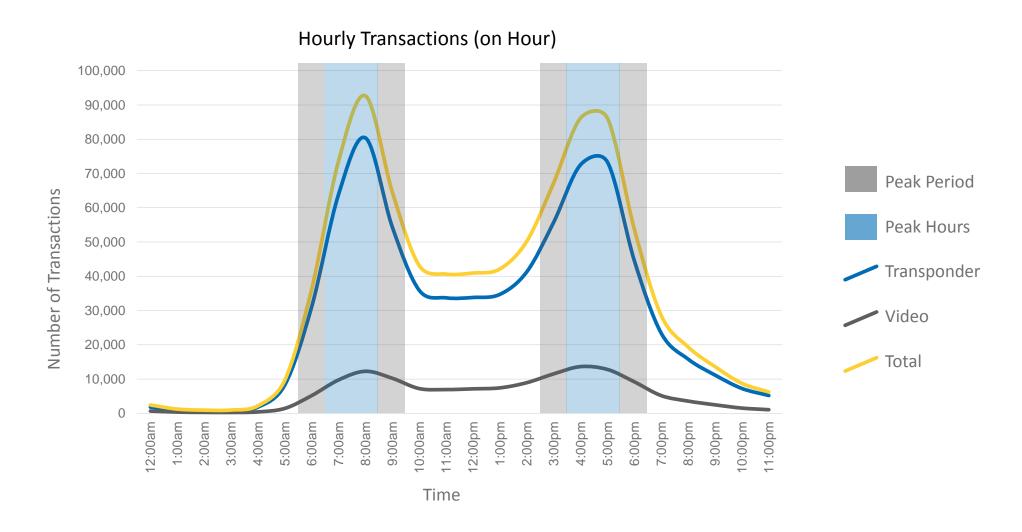
Unbillable Traffic

Management works actively on strategies to reduce unbillable traffic

- Deployment of CMOS and Front Plate cameras to reduce unreadable trips
- Installation of Seeker to improve transponder detection
- Enhanced matching algorithm
- Reduced unreadable trips through improved VEP
- Vehicle fingerprinting technology
- Toll evasion enforcement strategies

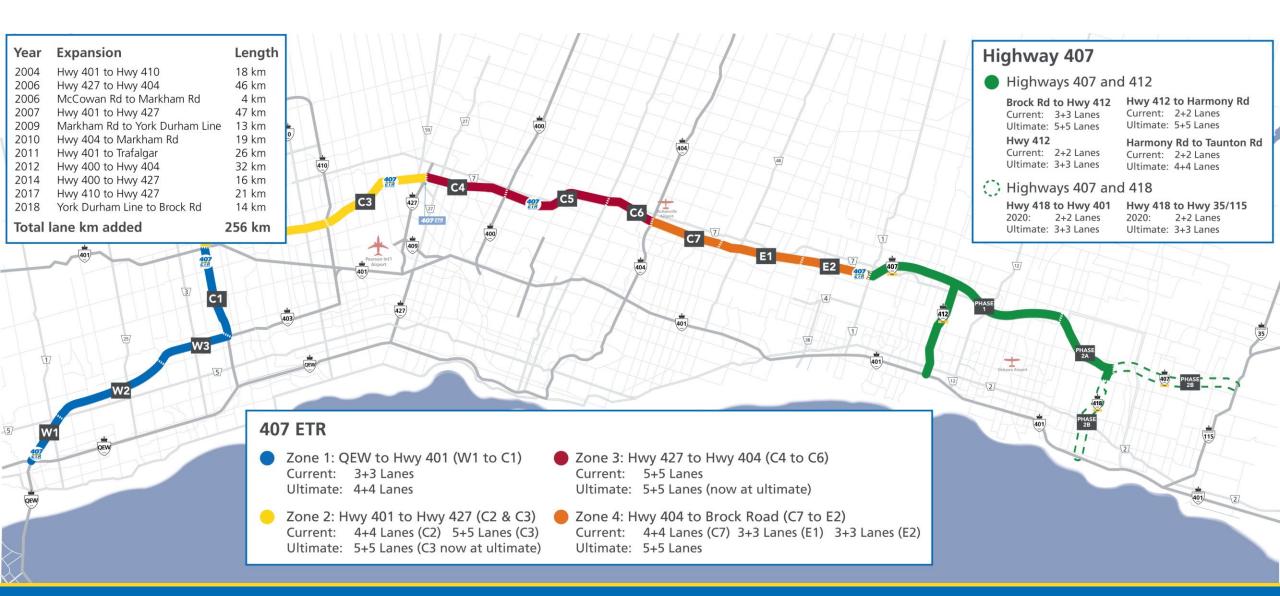


Typical Workday Traffic Distribution



Construction

Current and Ultimate Number of Lanes



Remaining Lane Expansion



W1-W3

One additional lane in each direction

One additional lane in each direction

One additional lane in each direction

C3-C6

Maximum lane capacity reached

One additional lane in each direction

Two additional lanes in each direction

E2

Two additional lanes in each direction



Additional Lanes in the East







Operations Yards and Buildings – 2018 Improvements

New OPP Detachment



New East Patrol Yard



Rebuild of Steeles Patrol Yard



Operations Yards and Buildings – 2018 Improvements

New East Patrol Yard





Rebuild of Steeles Patrol Yard







2019 Toll Rates

2019 Toll Rates



407 ETR Compared to Alternate Routes

















Allocation of Per Km Rates

- ☐ Allocate per-km toll rates to match price increases with operational value:
 - ☐ Allocate Toll Rate increase to each zone/direction cell based on speed advantage value relative to alternative routes
 - E.g. 407 ETR EB Zone 3 (C4-C6) has the highest speed advantage in the Pm Peak Hour vs. Hwy 401. Higher toll rate increase is applied.

Allocation Zone/Direction based on Speed Advantage

	EB				WB				
	Zone 1	Zone 2	Zone 3	Zone 4	Zone 1	Zone 2	Zone 3	Zone 4	
	W1-C1	C2-C3	C4-C6	C7-E2	W1-C1	C2-C3	C4-C6	C7-E2	
AM Peak Hour (7:00-9:30 AM)									
AM Peak Period (6:00-7:00 and 9:30- 10:30 AM)									
PM Peak Hour (3:30-6:00 PM)							e.		
PM Peak Period (2:30-3:30 and 6:00- 7:00 PM)			:						
Workday Midday (10:30 AM – 2:30 PM)									
Weekend Midday (11:00 AM – 7:00 PM)									
Off Peak (REST)									

	EB				WB			
	Zone 1	Zone 2	Zone 3	Zone 4	Zone 1	Zone 2	Zone 3	Zone 4
	W1-C1	C2-C3	C4-C6	C7-E2	W1-C1	C2-C3	C4-C6	C7-E2
AM Peak Hour (7:00-9:30 AM)	8.4%	12.0%	13.0%	7.0%	7.0%	7.6%	13.0%	10.0%
AM Peak Period (6:00-7:00 and 9:30- 10:30 AM)	7.0%	13.0%	12.0%	7.0%	7.0%	7.0%	10.0%	10.0%
PM Peak Hour (3:30-6:00 PM)	7.1%	11.0%	14.0%	11.0%	11.0%	6.2%	14.0%	7.0%
PM Peak Period (2:30-3:30 and 6:00- 7:00 PM)	7.0%	10.5%	14.0%	10.7%	13.0%	10.0%	12.0%	7.0%
Workday Midday (10:00 AM – 2:30 PM)	7.0%	10.0%	12.0%	7.0%	7.0%	7.0%	10.0%	7.0%
Weekend Midday (11:00 AM – 7:00 PM)	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Off Peak (REST)	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

☐ The 2019 Per KM Toll Rates reflect the demand by time period and speed differential between zones and achieves the weighted 10% Per KM rate increase.

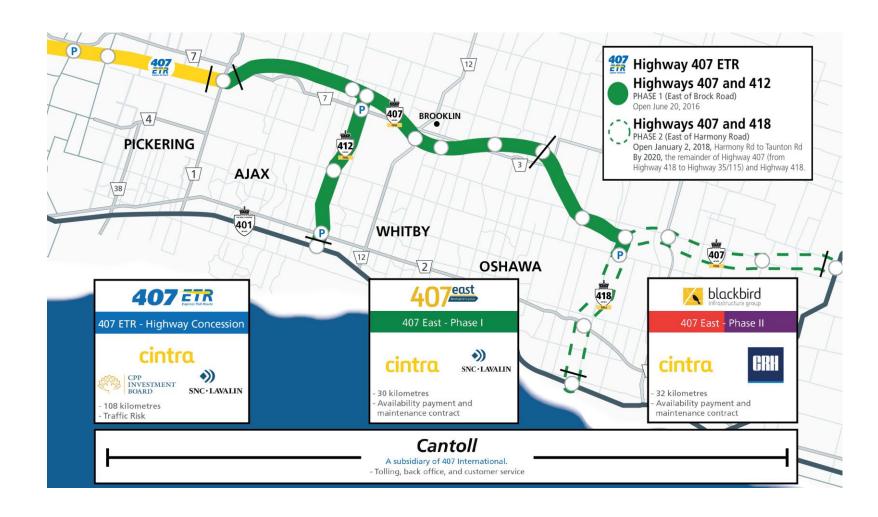


Service Provider to MTO

407 ETR as a Service Provider to MTO

407 ETR as a Tolling Leader

- Government of Ontario has contracted 407 ETR to provide transponder lease management, billing, bilingual call centre and customer service, collections and the website for the new highways
- The Province sets and regulates tolls on the new highways and retains the revenue
- Experience is seamless for driversboth on and off the road
- 407 ETR stands ready and prepared to offer these services to the Government of Ontario in future tolling projects



2019 Year-to-Date Performance

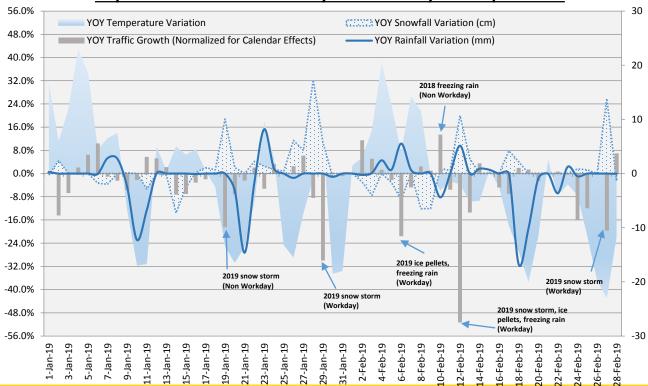
Q1-2019 Traffic – Impact of Weather

- Q1 2019 experienced more severe winter weather events impacting workdays compared to Q1 2018, involving freezing rain and snowfall causing major traffic issues.
- This severe winter weather resulted in an abnormally high number of school bus cancellations and/or school closures in the Greater Toronto and Hamilton Area. There were no school closures due to weather in Q1 2018.

- 2019 January: record single day snowfall on a workday (24cm)
- 2019 February: 18 mm freezing rain all falling within Workdays
- 5 major winter school closures, school bus cancellations



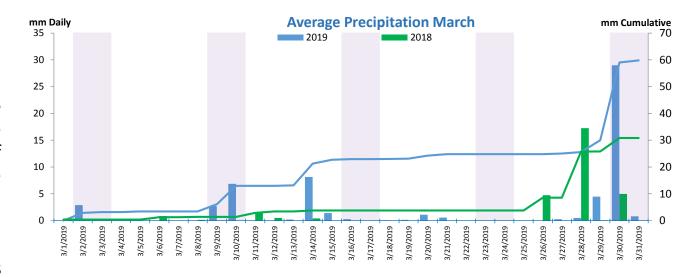
Impact of Weather on January and February ETR Trip Growth



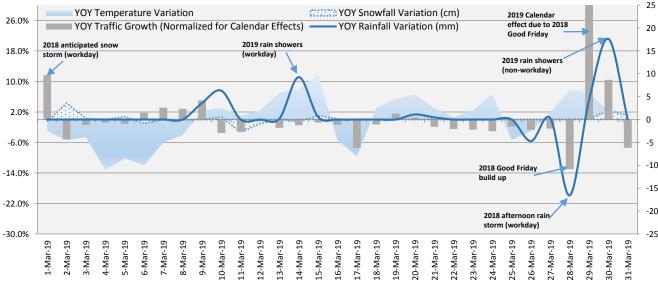
Q1-2019 – March Traffic

March Analysis:

- March 2018 contained the Good Friday holiday. In 2019 the Good Friday holiday will occur in April. Despite the difference in holidays, both months experienced the same number of workdays. Last year the Wednesday and Thursday prior to the Easter holiday weekend experienced higher than normal volumes resulting in lower traffic this year on the same days.
- March 2019 had fewer lane closures on alternative highways due to less collisions combined with more precipitation events compared to March 2018, resulting in a negative impact on Highway 407 ETR traffic in March 2019.
- Average gas prices in Toronto averaged 113.4 cents per litre in March 2019 compared to 124.0 cents per litre in March 2018, a decrease of 8.5%. The decrease in gas price year over year was offset by the 22.7% spike in gas prices from February 11, 2019 to the end of March in 2019 resulting in lower than normal traffic in March 2019.



Impact of Weather on March ETR Trip Growth





Capital Structure Plan

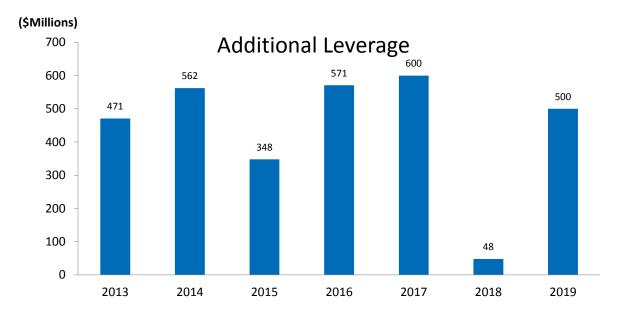
Summary of the Capital Structure Plan

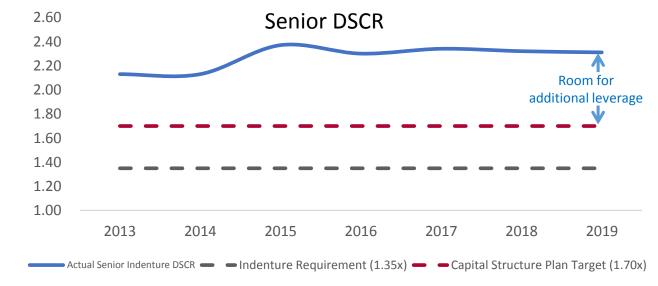
- In May 2012, Management developed the Capital Structure Plan.
- The Capital Structure Plan was approved by the Shareholders and Board of Directors in July 2012.
- The Capital Structure Plan is performance based. The quantum of additional leverage is relative to the performance of the Company.
- Key features of the Capital Structure Plan:
 - Issue senior bonds (with 12-month reserves) for gradual additional leverage and maintain coverage ratios:
 - Senior indenture coverage ratios of greater than 1.70x. (indenture requirement: 1.35x). Indenture coverage ratios include 30-year shadow principal amortization on bullet maturities.
 - Senior and junior cash coverage ratios of greater than 2.00x.
 - In addition to minimum indenture cash requirement of \$10 million and reserves of approximately \$615 million (as at December 31, 2018), the Company will maintain additional cash balance (current level of \$105 million), equal to the sum of:
 - 3 months of budgeted cash annual operating expenses (excluding provision for doubtful accounts)
 - 3% of budgeted annual revenues
 - Excess cash balance would be paid to shareholders as dividends.



Capital Structure Plan

- No significant additional leverage issued in 2018 due to a high ending cash balance from operations in 2017 which was used, in part, to fund the Company's operations, including the 2018 dividends.
- Continue to increase the leverage of the highway asset
- Slow down deleveraging due to increasing EBITDA
 - Gradual additional leverage
 - Performance based
 - Mitigate risk of ratings upgrade
 - Reward shareholders
- Committed to maintaining existing credit ratings: "A" for Senior bonds, "A-/A(low)" for Junior bonds, and "BBB" for Subordinated bonds.
- Debt Service Coverage Ratios:
 - Target senior indenture DSCR: 1.70x; indenture requirement: 1.35x
 - Target senior and junior cash DSCR: 2.00x

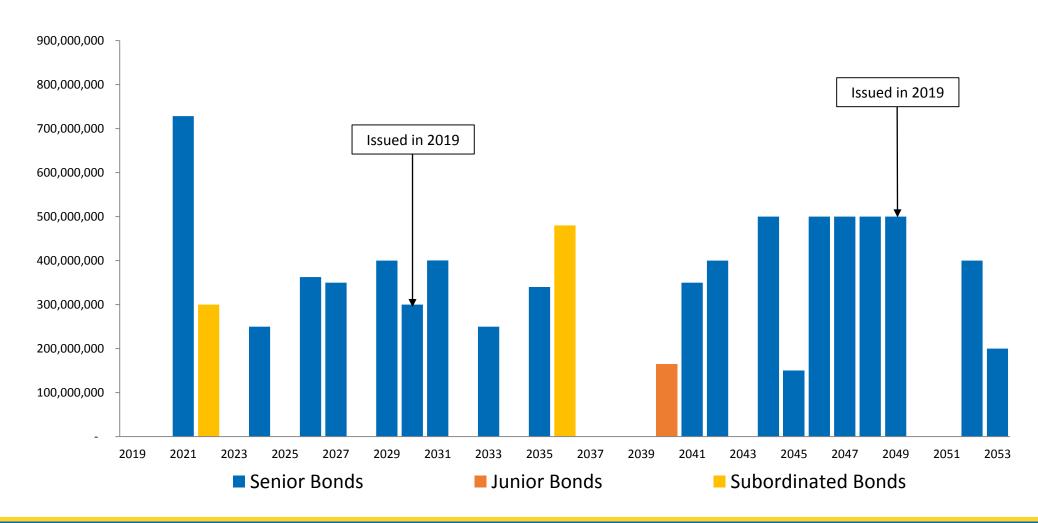






Bond Maturity Profile

No more than 20% total debt maturing during any 24-month period



Credit Ratings

Senior/Junior/Subordinated Bonds A/A- (low)/BBB, Stable Trend

December 8, 2018

- "All trends are Stable, supported by the solid long-term economic fundamentals of the catchment area, sound cash flow generation and good operating efficiency."
- "Further population increases and the extension of the Highway 407 east to Oshawa, should support continued traffic growth. The Ontario government estimates that the population of the GTA will reach 9.7 million by 2041."
- "The growth in leverage was in line with the Company's intentions as framed in its management discussion and analysis of June 2012 to gradually increase debt by way of bullet bonds of staggered maturities, with long-term preferences, while maintaining a cashbased senior and junior DSCRs above 2.0x and a senior DSCR, including shadow amortization as per its Master Trust Indenture, above 1.7x."

Senior/Junior/Subordinated Bonds A/A-/BBB, Stable Outlook

June 2019

- "Robust toll revenue performance is driven by the highway's strategic location, with strong and inelastic demand characteristics and unfettered ability to raise tolls."
- "We expect rising population and employment in greater Toronto, together with longer travel times on 407's congested alternatives, will continue to support long-term demand."
- "We view this toll road to have significant ratings stability, relative to its peers."
- "Reasonable leverage compared to peers' and strong financial discipline providing for solid downside resiliencies."
- "Overall, 407 is rated above peers, reflecting its robust financial and operation performance and lower leverage."







Bond Portfolio

Three levels of priority

- Senior bonds are ranked first in priority; bondholders enjoy the protection of a series reserve account that equals 12
 months of principal and interest.
- Many different structures of senior bonds: nominal bullet, nominal amortizer, bullet real return bond (RRB), amortizing real return bond (ARRB), synthetic inflation protection securities (SIPS).
 - Since 2005, the Company has only issued plain, "vanilla", nominal bullet bonds.
- Junior bonds are ranked second in priority; bondholders also enjoy the protection of a series reserve account that
 equals 12 months of principal and interest.
- Senior and junior bondholders enjoy the protection of the dividend distributions tests.
- Subordinated bonds are ranked behind senior and junior bonds and do not have the protection of a series reserve
 account. The Company must satisfy the distribution test prior to any payment of interest to subordinated bondholders.

Key Features of the Indenture

Dividend Distribution and Subordinated Interest Payment

- Prior to a dividend distribution or payment of interest on subordinated debt, the Company must provide an Officer's Certificate to the Trustee certifying the following:
 - Net Revenues for the 12 calendar months most recently ended were at least equal to 135% of the Annual Senior Debt Service for such 12 month period.
 - Projected Net Revenues for the next 12 calendar months will be at least equal to 135% of the Annual Senior Debt Service for such 12 month period.

Additional Indebtedness

Prior to issuing additional debt, the Company must provide an Officer's Certificate to the Trustee certifying that Net Revenues
during any consecutive 12 month period during the most recently completed 18 month period was not less than 135% of the
Annual Senior Debt Service.

Ratings Affirmation Covenant ("RAC")

- For all bonds issued prior to June 2010, ratings affirmation letters must be issued by both rating agencies affirming the existing credit ratings of all of the Company's existing bonds.
- Bondholders whose bonds were issued post-June 2010 do not have the same protection as the RAC is not attached to these bonds.
 However, these bondholders can "piggy-back" off of the pre-June 2010 bond issuances; the last of which remain outstanding until 2040.



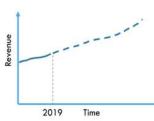
Ongoing Project Initiatives

Data Analytics



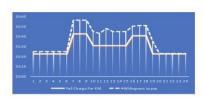
Better Understand Customers

Leveraging deeper insights into the customer to understand value drivers and willingness to pay



Multiyear Pricing Model

Model that allows us to understand how long can we continue to raise toll rates in future.



Toll Allocation Model 2.0

Allocates Toll Rates by Time, Direction and Segment to Maximize Potential Revenue.



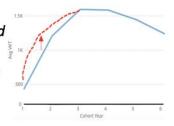
Customer Choice

Identifying customers who choose vs. do not choose and understanding their motivations.



Understanding Customer Lifecycle

Identifying customers who have the habits and profile of our best customers to accelerate frequency of usage.





Cohort Behavior Analysis

TREND

Budget Conscious: This group of consumers is likely price sensitive. They may make their purchase decision based on the price and are looking for value for money. They use toll routes "only when necessary" and are scattered through the GTA.



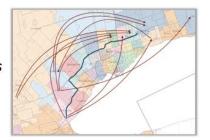
Up the Ladder: A group of growing consumers with higher income, education and real estate holdings, seeking flexibility of trips. Heavily represented by the northern area of Toronto such as York Region and Richmond Hill. Price elasticity likely to be low.



Frequent Users: Have a strong need for Speed / Time Savings. They have stable and mature usages of 407. The price elasticity is very low for these customers.

Market Share

Understanding alternative routes by O-D to find areas of competitive advantage and opportunity.

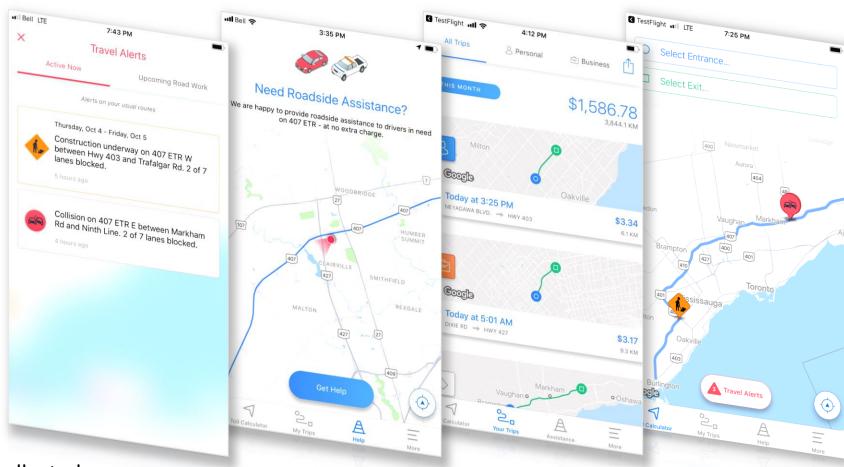




The App - Pilot Functionality

- Travel Alerts
- Roadside Assistance
- Real Time Trips
- Toll Calculator

Ongoing development & testing of additional features continues



Customer feedback is being collected and will be incorporated in the General Availability release

Regulatory Framework

Statutes

Well-defined regulatory framework. 407 ETR is not subject to periodic regulatory reviews as the Concession Agreement applies for the full concession term (i.e. until 2098) and can only be changed by mutual agreement.

Highway 407 Act:

- Powers of Concessionaire (collection of tolls, exemption of tolls, etc.)
- Plate denial, enforcement of tolls, dispute process
- Collection and use of personal information
- Highway closure, emergency planning

Highway Traffic Act:

- Plate visibility
- Powers of police officers (search and seizure)
- Definition of toll device and transponder mounting
- Toll evasion, sale of interference devices, etc.
- Compulsory use of transponders for heavy vehicles

Schedule 22 of the Concession and Ground Lease Agreement

- A Congestion Payment may be due if:
 - 1. Applicable rate > Toll Threshold and Average Segment Flow Rate (ASFR) is less than the Traffic Threshold.
 - 2. The congestion payment is twice the traffic shortfall times the toll rate overage.
- Only one Congestion Payment made (\$30,000 for 2003).
- As Traffic Threshold increases, the likelihood of a "Traffic Shortfall" increases on some segments.
- Schedule 22 includes the concept of a Congestion Payment to ensure traffic relief in the corridor.
- Sets minimum traffic levels (Traffic Thresholds) for each segment and direction, base on 2002 levels, and a minimum Toll Threshold.
- The Traffic Threshold grows by 1%-3% per year after the Base Year, up to a maximum of 1,500 vehicles per hour per lane.

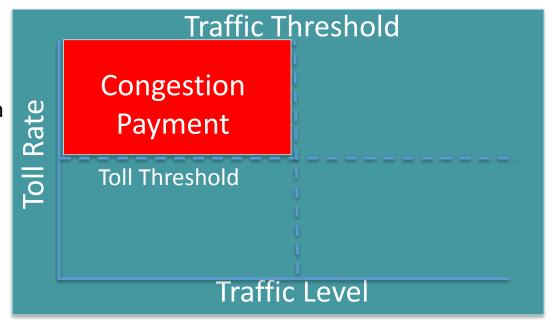


Plate Denial

When a customer does not pay their bill within a prescribed period of time, the Ontario Government will not allow the person to renew the license plate sticker required by law

- Targeted at people who refuse to pay their bills
- Necessary because there are no toll booths or barriers
- Cannot restrict use, cut off service, etc. like other companies
- Used by Government before the sale, key part of sale agreement



NOT UNIQUE TO ONTARIO

SIMILAR PLATE DENIAL SYSTEMS IN PLACE IN OTHER JURISDICTIONS TO MAINTAIN OPEN ACCESS ROAD AND FAIRNESS TO ALL DRIVERS.

Community Involvement

407 ETR in the Community



Sponsorships, Donations and Community Involvement



Youth sport team sponsorships



























Hospitals and rehabilitation















presented by NATIONAL BANK

















Supporting communities along the corridor





Schwartz/Reisman Centre

































Safety initiatives











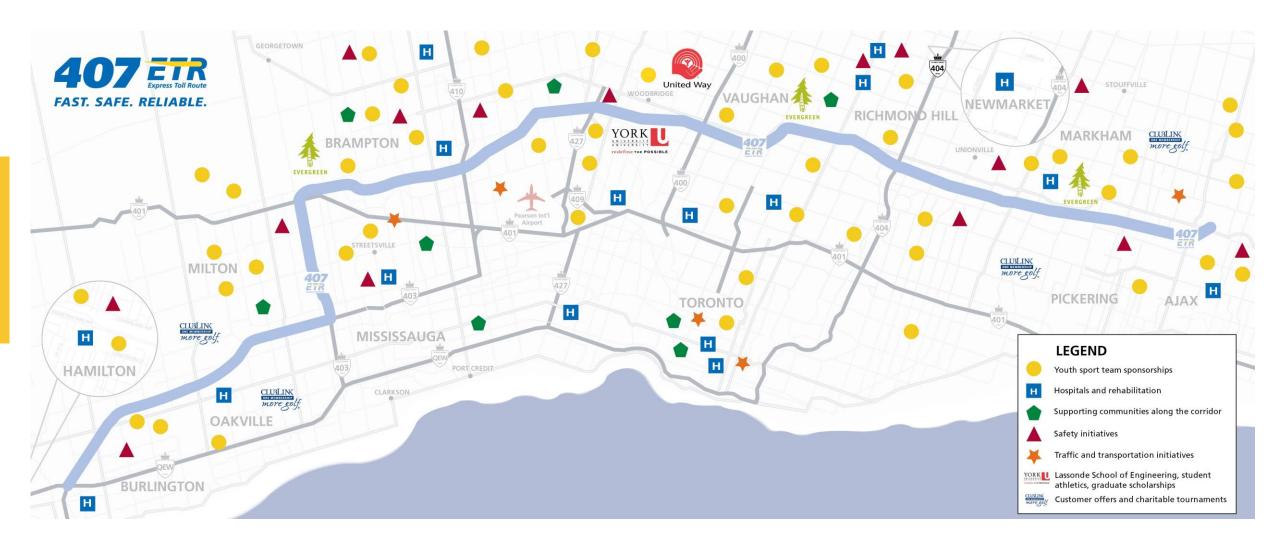
Traffic and transportation initiatives







Community Engagement



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