



# THE WORLD'S FIRST ALL-ELECTRONIC OPEN-ACCESS TOLL HIGHWAY

TD Securities

*2014 Engineering and Construction Conference*

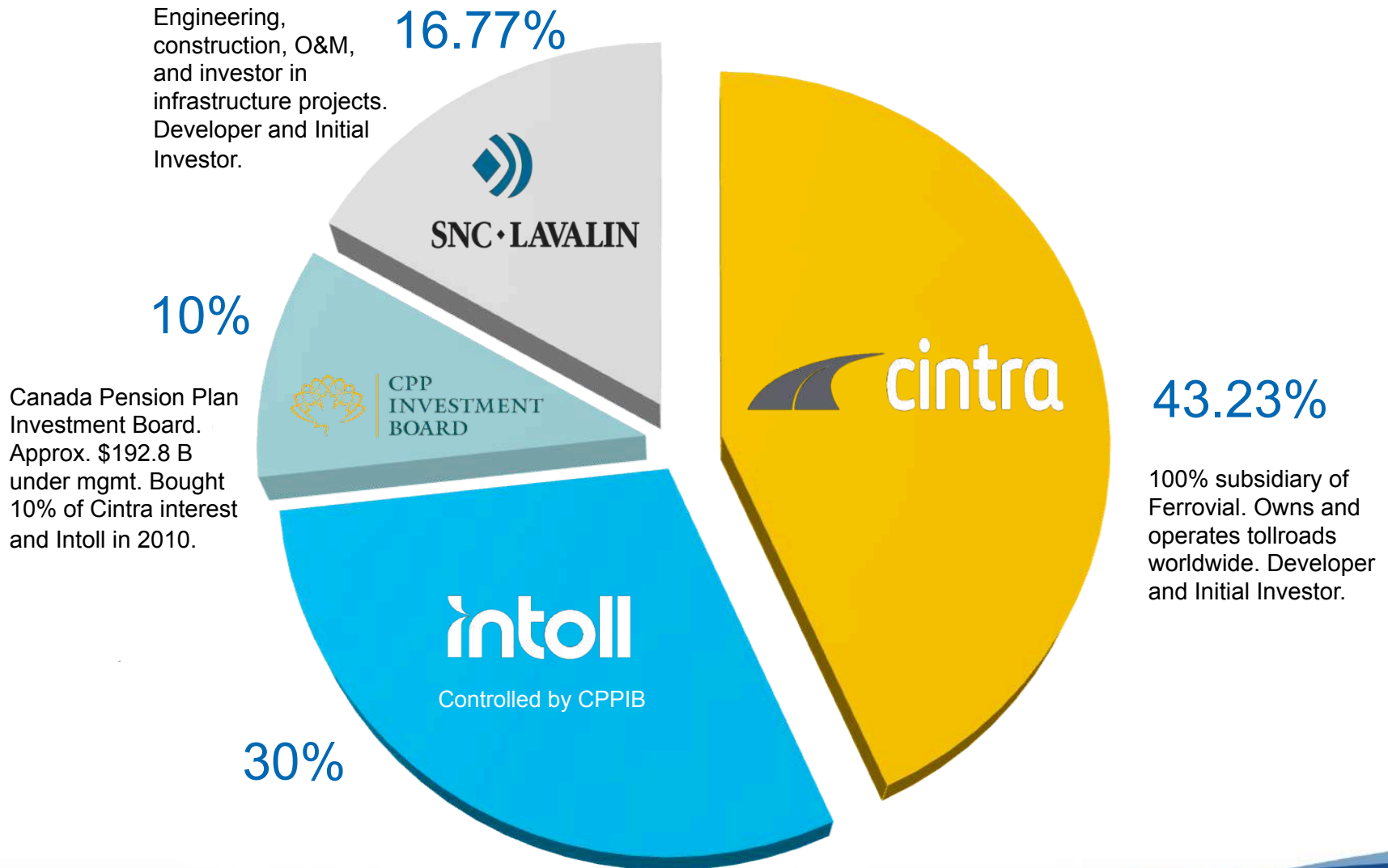
March 26, 2014



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- » 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 2013 Annual Information Form dated February 13, 2014, 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.

# 407 INTERNATIONAL SHAREHOLDERS



**407 ETR**  
Express Toll Route  
**FAST. SAFE. RELIABLE.**



**407 ETR**

407 ETR: 108km, with 41 interchanges and 198 on/off ramps.

**Phase One (22km):** Extension of Highway 407 East to Harmony Road in Oshawa by 2015. 407 East will be 3 lanes in each direction up to the West Durham Link and then 2 lanes in each direction to Harmony Road.

**Phase Two (23km):** Extension of Highway 407 East to Highway 35/115 in Clarington by 2020. By 2017 there will be an interim interchange at Taunton Road for the East Durham Link.

○ 407 Interchange      ● 400-Series Interchange

# ASSET OVERVIEW

- » Highway 407 mainline is 108 km
- » Pavement inventory 1,128 lane km (including ramps)
- » 208 structures
- » 41 Interchanges:
  - » Freeway - 7
  - » Arterials - 34
- » 198 tolling gantries (entries and exits)
- » Expanded Road Patrol – Summer/Winter
- » 7-24 Traffic Control Center (CCTV Coverage, DMS)
- » Roadside Assistance Program
- » Higher Safety Standards
- » Summer & Winter Maintenance Operation Plans
- » Incident Response Plans
- » Coordination with OPP – regular services & paid duty



**2001** Company builds East and West Extensions (40km).

**1999** Privatization. Taxpayer's receive over \$3.1 billion; directed to other government priorities.

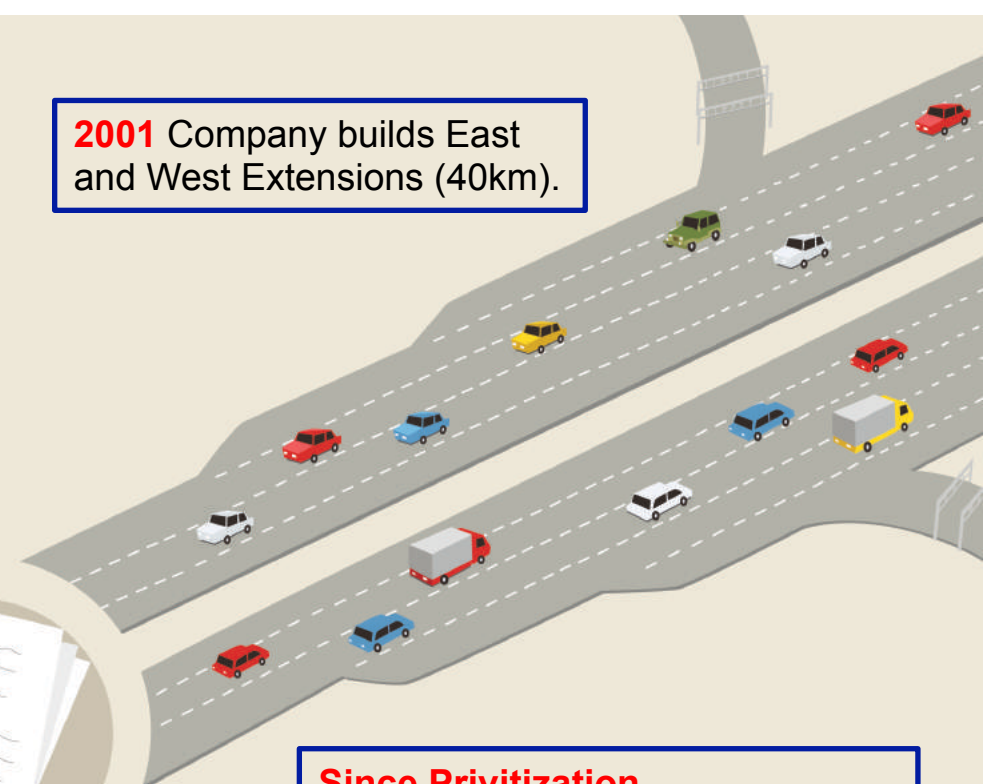
**1980s** Preliminary construction.

### Since Privatization

- Over \$1.4 billion invested to extend and expand highway and meet customer demand.
- Over 200 lane-km added.
- Customer satisfaction grows to over 80%.
- New Technology/Customized solutions protect revenues and reduce unreadable/unbillable transactions from 9% to just 2.3%.

**1997** Government builds Central section (68km). Cost to taxpayer \$1.5 billion.

**1950s** Government acquires (reserves) lands.



# TESTED LEGAL/REGULATORY FRAMEWORK

## » Highway 407 Act (Royal Assent - Dec 1998):

- » 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
- » Liabilities, expropriation, expansion, etc.
- » Safety standards

## » 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.



# TESTED LEGAL/REGULATORY FRAMEWORK

## » Concession and Ground Lease Agreement (CGLA)\*:

- » Collection of revenues and tolling regulations
- » Operation standards, highway expansion and extension
- » Reporting, audit rights, electronic data transfer
- » Corridor control, management of 407 lands
- » Police services, enforcement
- » Dispute resolution etc.

## » Policing/Enforcement Agreements:

- » Police Services Agreement with Ontario Provincial Police
- » Truck safety and vehicle registration enforcement by MTO

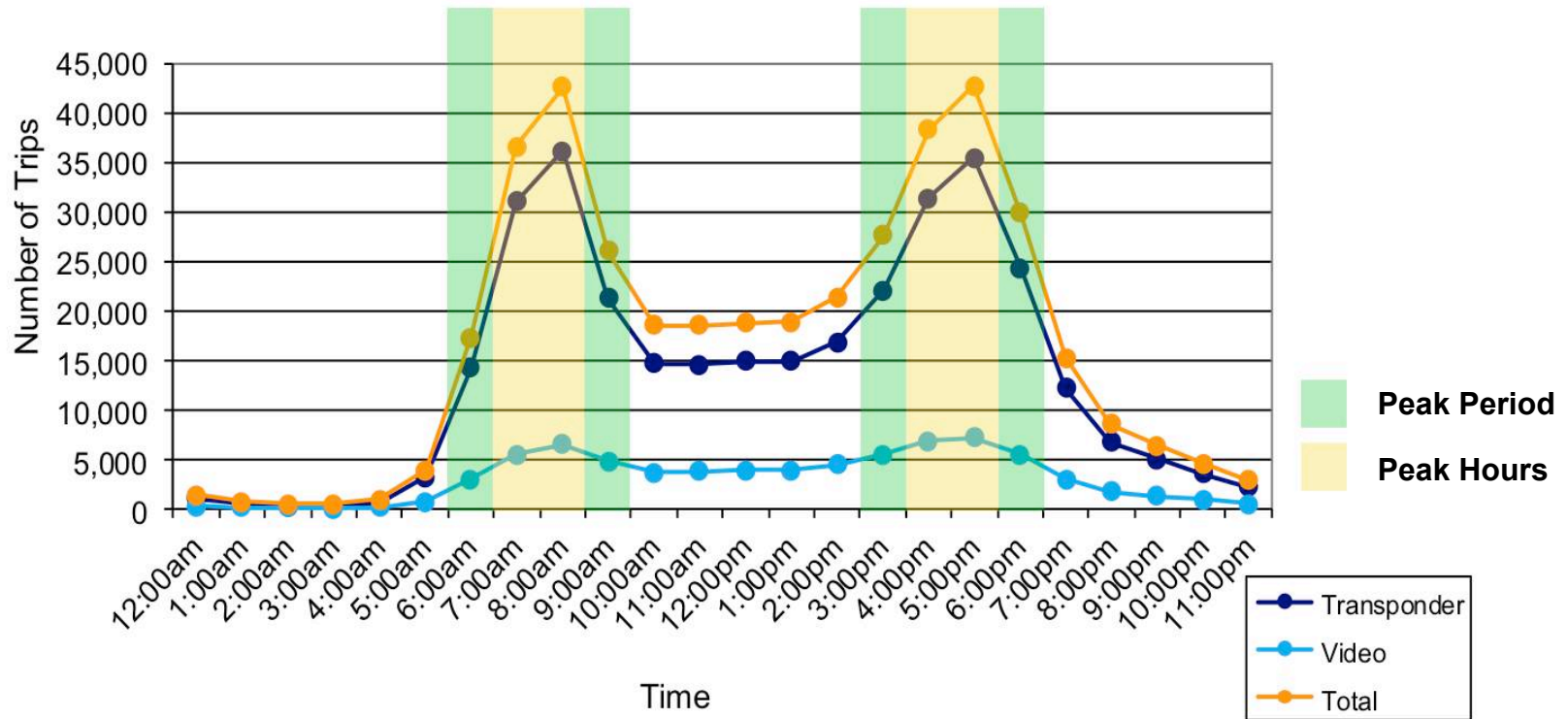
*\*Available on [407etr.com](http://407etr.com)*





# AVERAGE WEEKDAY HOURLY TRIPS

Average of over 380,000 trips each work day



# 2014 ZONE/PEAK TOLLING

Effective February 1, 2014



- » Rates vary by time of day, day of week and zone of highway
- » Average revenue per trip: **2013** \$6.96, **2012** \$6.39, **2011** \$5.89, **2010** \$5.44
- » 2014 toll rate increases reflect premium value of our highway at rush hour

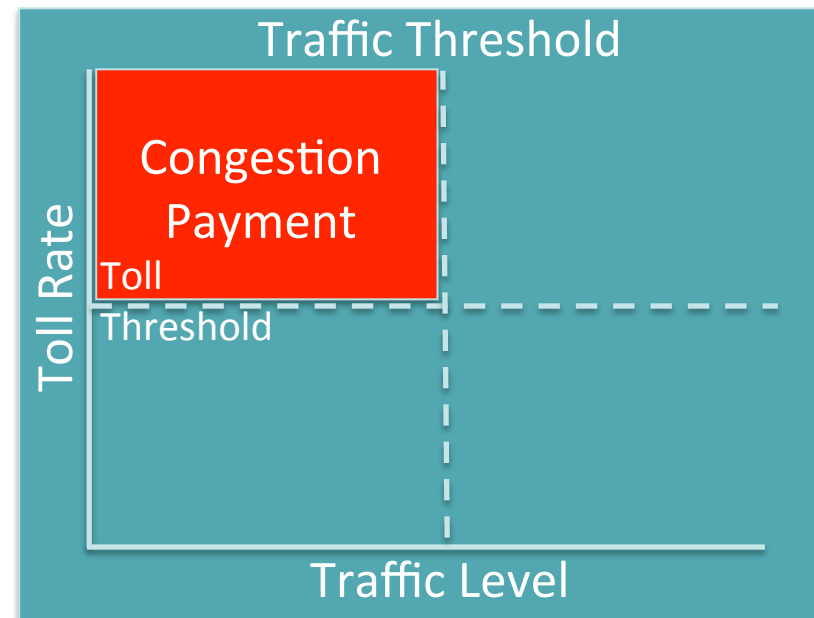


# TOLL SETTING “CONSTRAINT”

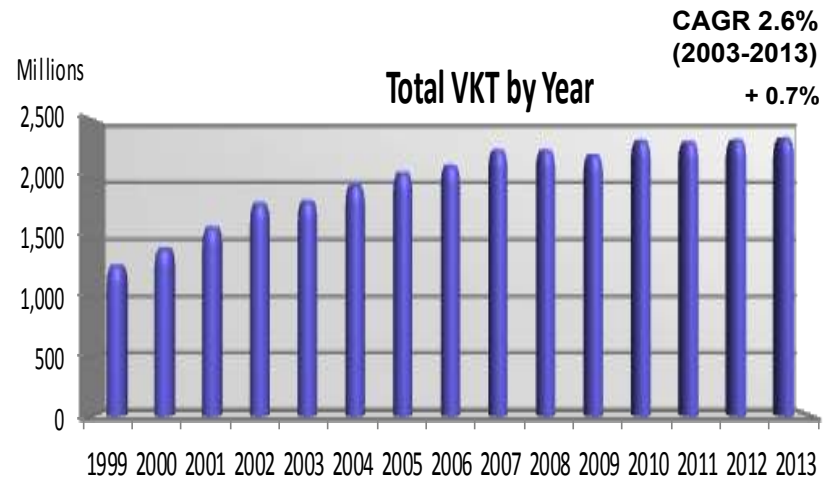
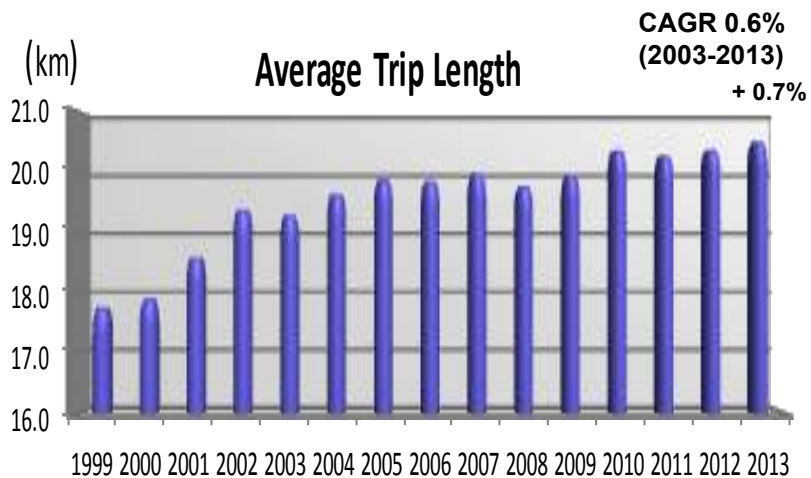
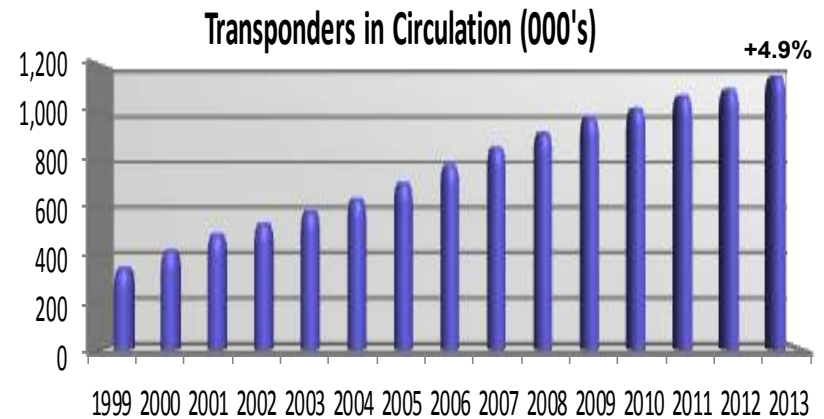
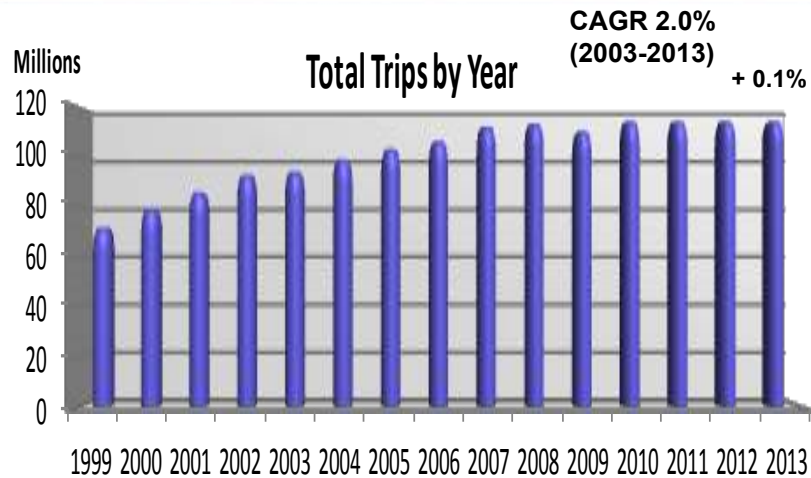
## » CGLA – Schedule 22

- » 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, based on 2002 levels and 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.
  - » The Toll Threshold also increases, up to 30% in real terms from 1999 level.

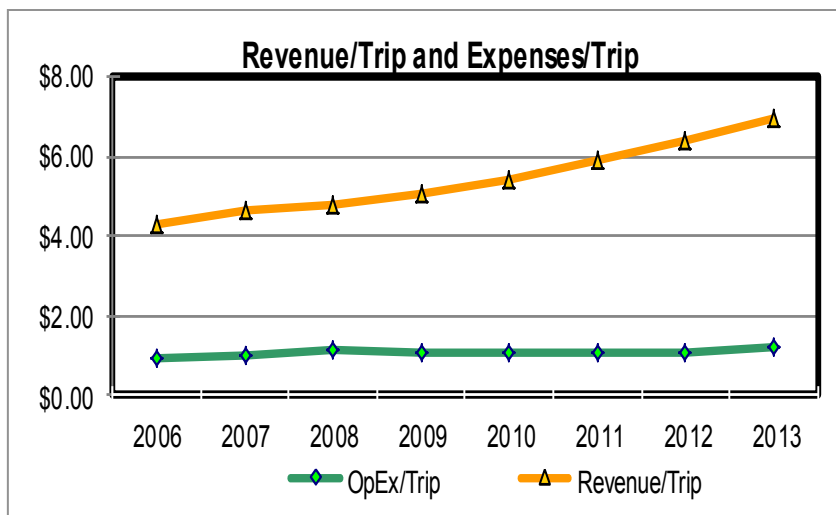
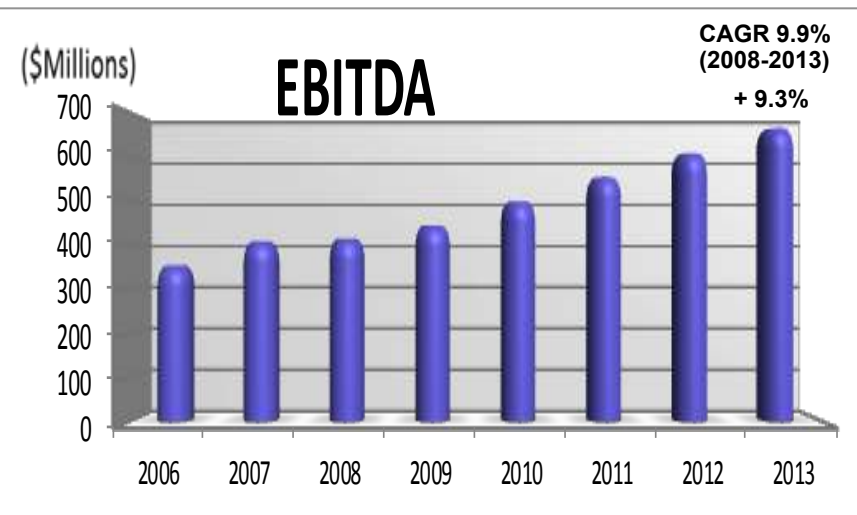
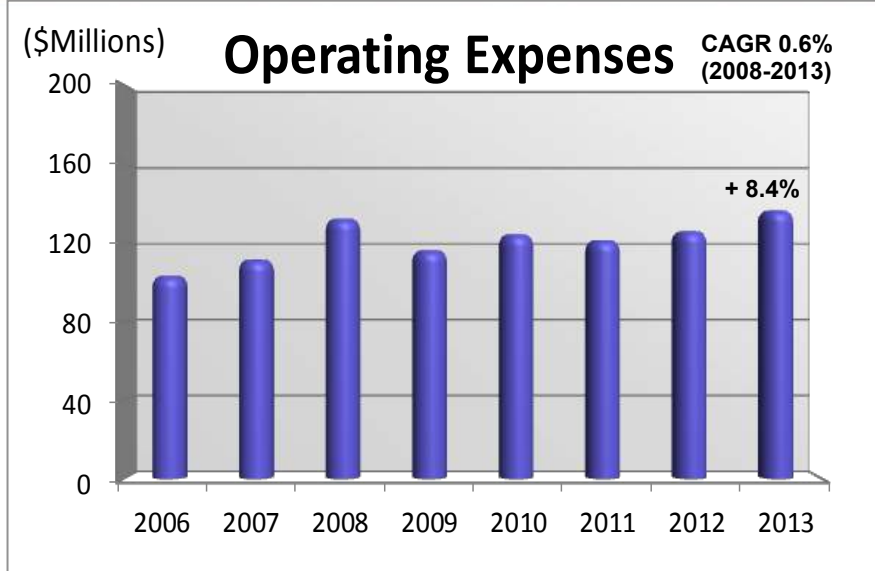
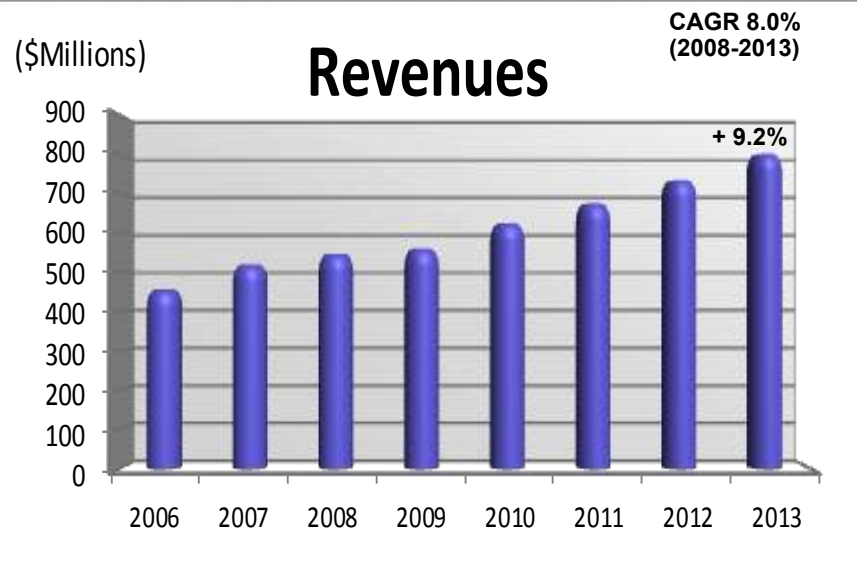
- » A Congestion Payment may be due if:
  - » Applicable rate > Toll Threshold **and** Average Segment Flow Rate (ASFR) is less than the Traffic Threshold.
  - » The congestion payment is twice the traffic shortfall times the toll rate overage.
  - » Only one Congestion Payment made (\$28.7k for 2003).
  - » As Traffic Threshold increases, the likelihood of a “Traffic Shortfall” increases on some segments.



# TRAFFIC/TRANSPONDERS

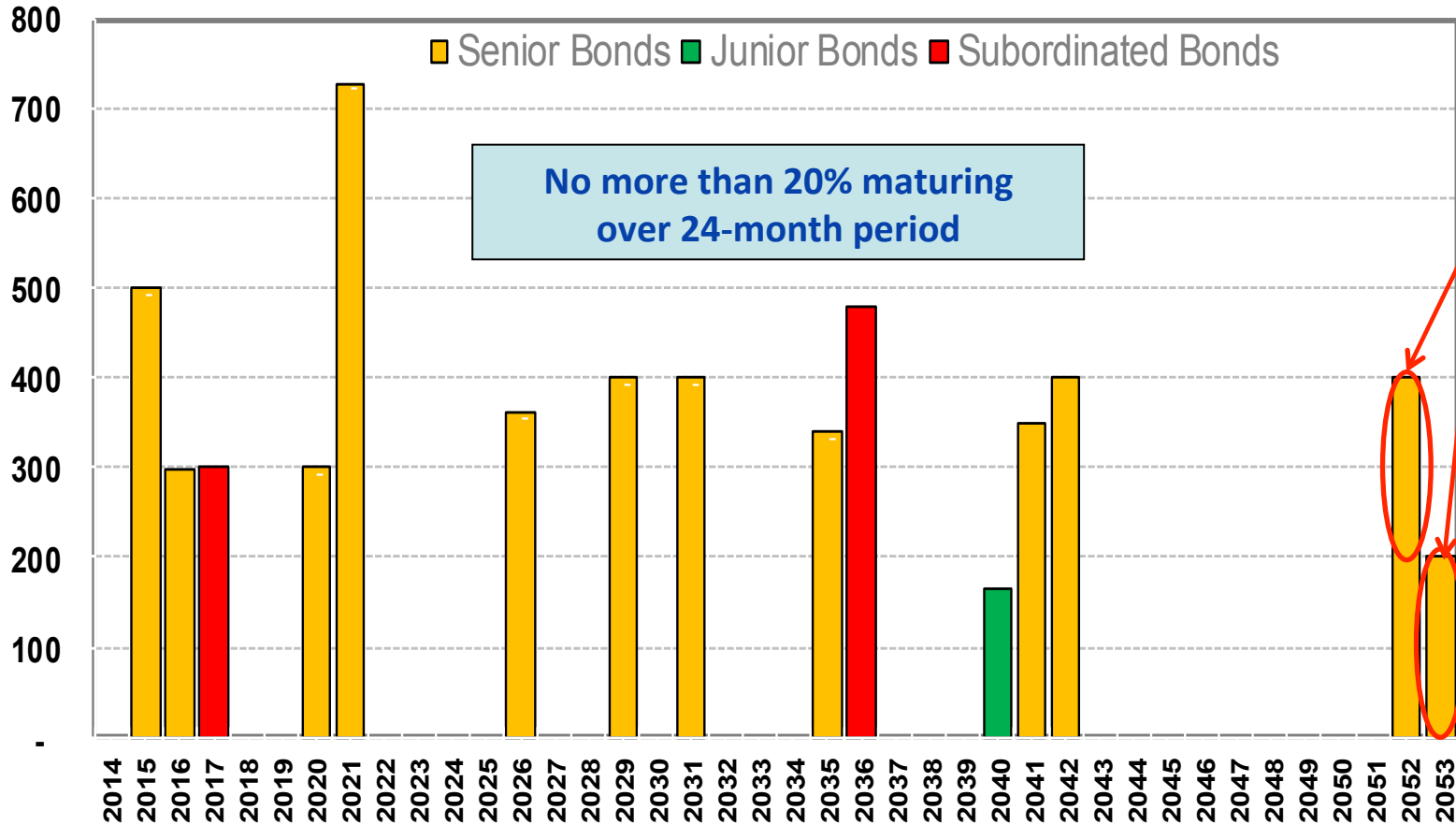


# KEY FINANCIAL INDICATORS

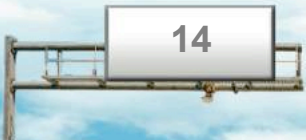


# BOND MATURITY PROFILE

\$ millions



>> Total Long-Term Debt: \$ 6.2 billion



# RATING AGENCIES

## Debt Ratings:

Senior/Junior/Subordinated Bonds  
A/A(low)/BBB, Stable Trend for all bonds  
August 2013



*“DBRS has confirmed the ratings of 407 International Inc. being all trends are Stable.”*

*“Despite a heavy debt burden and traffic that exhibited only slow growth in 2012, the Company continues to exhibit sound operating efficiency, solid cash flow generation, sizable reserves and good long-term traffic prospects”*

*“Debt levels were up 7% over 2011 levels as the Company implemented its capital structure plan to gradually increase leverage over the next two to four years. However, this was largely offset by EBITDA growth and debt coverage metrics were improved on a year-over-year basis. The senior debt DSCR including shadow amortization as per the Master Trust Indenture amounted to 2.0 time, and the junior DSCR of 2.4 times, in excess of the 1.7 and 2.0 times targets agreed to with DBRS for the current rating levels.”*

*“While leverage is expected to continue increasing, EBITDA growth should leave coverage metrics supportive of the rating.”*

*“Cash balances in excess of such amounts would be paid as dividends, if permitted by the trust indenture”*

## Debt Ratings:

Senior/Junior/Subordinated Bonds  
A/A-/BBB, Stable Outlook  
December 2013



*We expect the GTA's long-term growing trends of population and employment, together with lengthening journey times on congested alternatives, to continue supporting the highway's excellent demand traits.”*

*“We believe 407's shareholders have strong technical expertise, particularly with respect to facility and lifecycle management, which reside at the company level. The company also has more than 10 years of asset performance to help form the basis of its lifecycle cost and time estimates.”*

*“The company wants to gradually increase financial leverage while endeavoring to maintain healthy DSCRs and the ratings. Specifically, we believe it might seek to incrementally increase leverage to mitigate any expected cash flow upside in the future, such that its DSCRs would not increase materially. Given 407's strong cash flows, we expect funds associated with any such potential leverage activity to fund operating expenses, capital expenditures and interest payments, while allowing cash receipts from operations to be distributed to shareholders. We view this as a continuing risk.”*

*“We consider an upgrade unlikely, primarily because of the company's leverage intentions.”*



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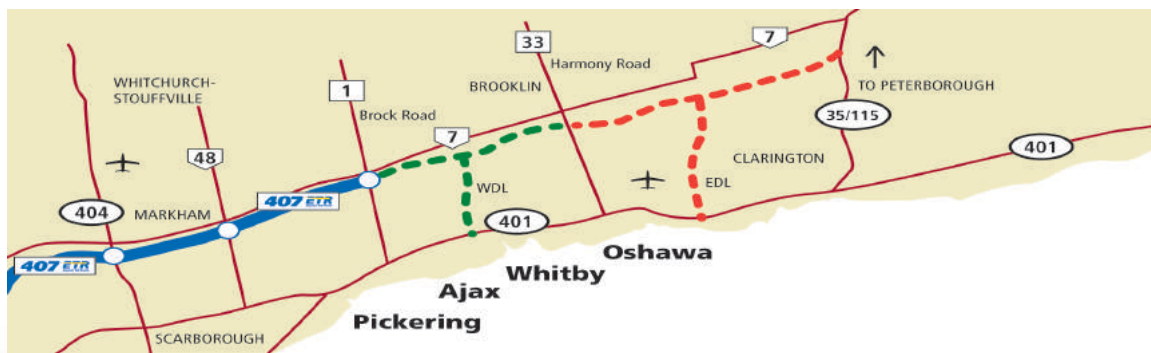
# TWO DIFFERENT PROJECTS – TWO DIFFERENT MODELS



407 ETR /407 International	407 East Development Group – Phase 1
108 km (Burlington-Pickering)	22 km (Pickering-Oshawa + 10 km WDL)
Cintra, CPPIB, SNC-Lavalin	SNC-Lavalin and Cintra
99-year Concession (1999-2098)	3+30-year DBFO (2012-2045)
407 ETR sets tolls, keeps revenues	Province sets tolls, gets revenues
Traffic risk	Availability payments – no traffic risk
Prescribed extensions & widenings	One-time construction & maintenance

## Cantoll

(Sub of 407 International) installs, updates and manages seamless tolling and backoffice system, customer service and collection. Customer gets one bill / one transponder.

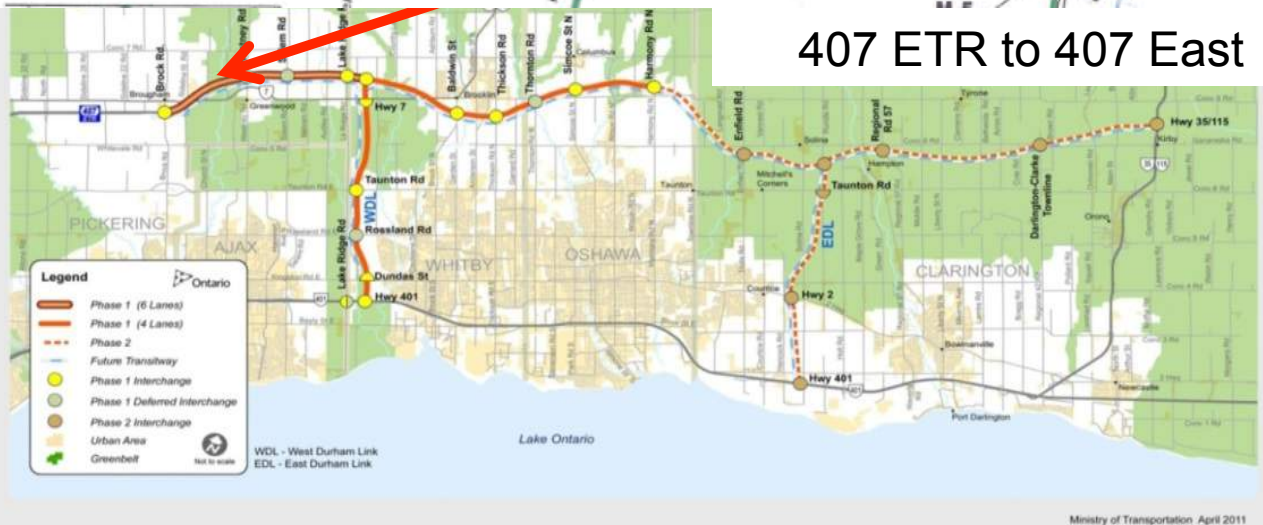




# CONNECTING 407 ETR TO THE NEW HIGHWAY 407 EAST



407 ETR to 407 East



# CONFIRMING THE GOOD CHOICE

- » December 2013 report
- » Analysis of 3 data sources:
  1. Customer trip times/  
vehicle information  
(On-Board Diagnostic)
  2. Tom-Tom speed data
  3. IMS Cellular Data
- » Confirmed:
  - » Time Savings
  - » Value of Time
  - » Savings on vehicle  
maintenance costs
  - » Potential fuel savings
  - » Reliability/Dependability  
and quality of life



THE VALUE OF TRAVEL TIME AND RELIABILITY

## Commuting on 407 ETR.



[www.conferenceboard.ca](http://www.conferenceboard.ca)

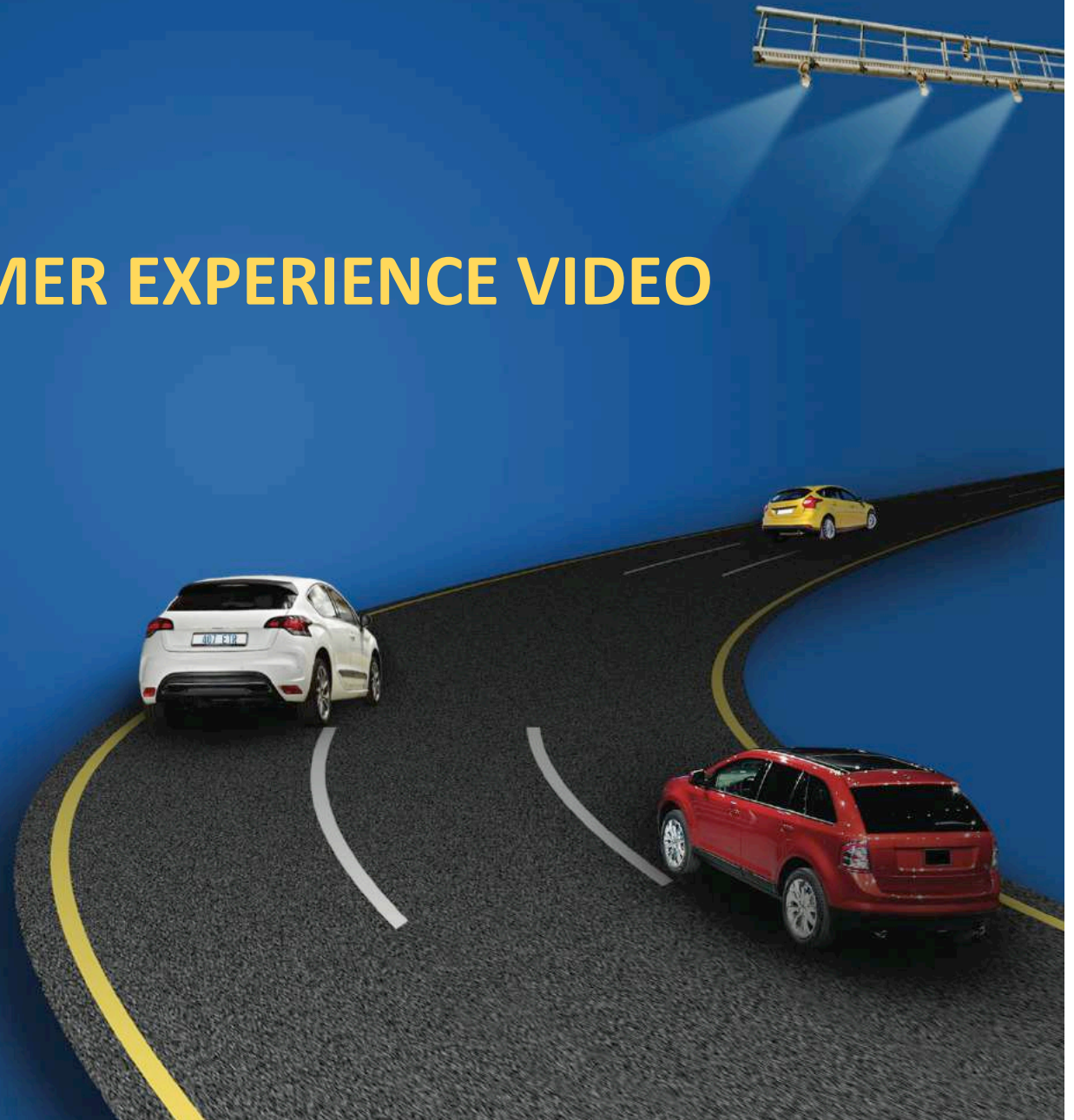
REPORT DECEMBER 2013



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# CUSTOMER EXPERIENCE VIDEO



**407 ETR**  
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**THANK YOU**

