

# SYDNEY AIRPORT

# HALF YEAR RESULTS 2015

18 AUGUST 2015

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## General Securities Warning

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Sydney Airport advises that on 5 August 2015 foreign ownership was 33.8%

# Agenda

1. Highlights and Performance
2. Financial Results
3. Traffic and Capacity Growth
4. Terminal 1 Redevelopment
5. Duty Free and Retail Update
6. Ground Transport Update
7. Western Sydney Airport Update
8. Guidance



# Strong performance in 1H15

## 1H15 Key Results



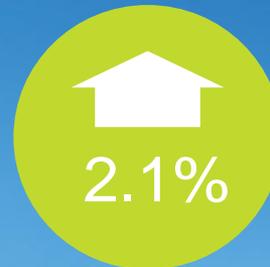
**\$594.8m**  
Revenue



**\$488.3m**  
EBITDA



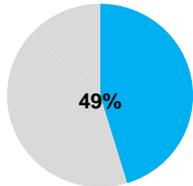
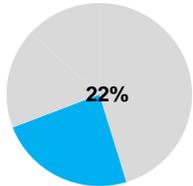
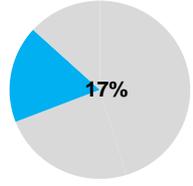
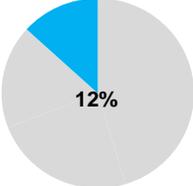
**12.5c**  
1H15 Distribution



**19.0m**  
Total Passengers

International  2.8%  
Domestic  1.7%

## Continued strong revenue growth, exceeding passenger growth, in all businesses

Business	1H15 Highlights	Revenue \$m	Revenue Contribution	Revenue Growth
<b>Aeronautical</b>	<ul style="list-style-type: none"> <li>International passenger growth of 2.8% reflecting higher load factors on lower seat capacity</li> <li>Chinese nationals grew 16.8% on the pcp</li> <li>Growth in LCC domestic passengers</li> <li>Significant aeronautical investment in capacity and passenger experience</li> </ul>	288.3	 <p>49%</p>	 <p>4.6%</p>
<b>Retail</b>	<ul style="list-style-type: none"> <li>New duty free contract; Heinemann trading well</li> <li>Signing of the new advertising contract with APN</li> <li>Travel essentials and Australian experience contracts renewed</li> <li>Food court upgrades in T1 and T2</li> </ul>	129.9	 <p>22%</p>	 <p>3.9%</p>
<b>Property</b>	<ul style="list-style-type: none"> <li>The new car rental contract was effective from January 2015</li> <li>200 rent reviews were completed with revenue uplifts</li> <li>Approximately 30 new leases were signed</li> </ul>	101.0	 <p>17%</p>	 <p>4.8%</p>
<b>Car Parking</b>	<ul style="list-style-type: none"> <li>Online parking take up continued to grow strongly</li> <li>Online revenue was 32% of total public parking revenue, up from 27% in the prior half year</li> <li>Increased pre-booked long stay transactions in the domestic precinct contributed to performance</li> </ul>	72.2	 <p>12%</p>	 <p>8.7%</p>

## High quality terminal facility, with significant investment made

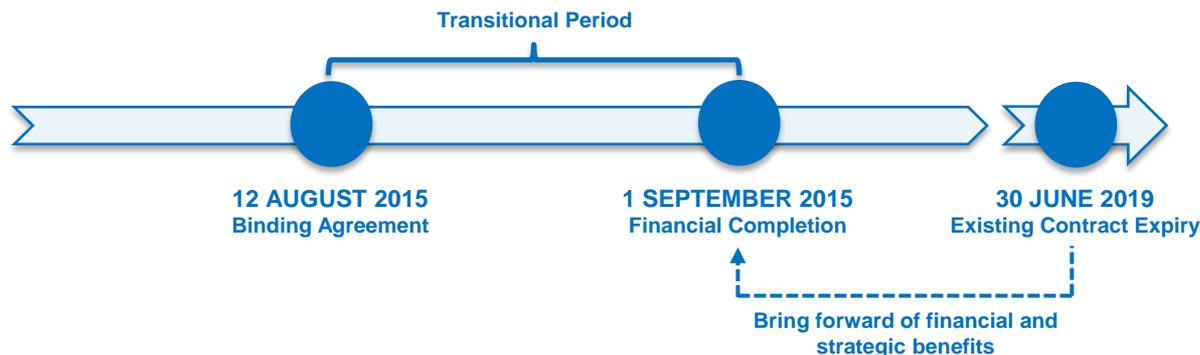
### LANDMARK TRANSACTION

- Sydney Airport to take control of Terminal 3 almost four years ahead of previous lease expiry
- Result of a long-term engagement with Qantas focused on achieving a 'win-win' outcome
- Meets Sydney Airport's strict investment and strategic criteria
- Access to new passenger related aeronautical and retail revenue streams
- Common use terminal by 30 June 2019

### TERMINAL DETAILS

- 54,000 m<sup>2</sup> terminal area
- 24,000 m<sup>2</sup> office and lounge space
- 17 gates
- 51 retail and food and beverage outlets
- 6 car rental desks
- 2 foreign exchange outlets
- 3 lounges
- 120 Valet car parking (SYD to operate from 2019)
- Advertising business (SYD to operate from 2019)

### TIMELINE



# T3 Transaction

## Mutually beneficial and cash flow accretive transaction

### INVESTOR BENEFITS

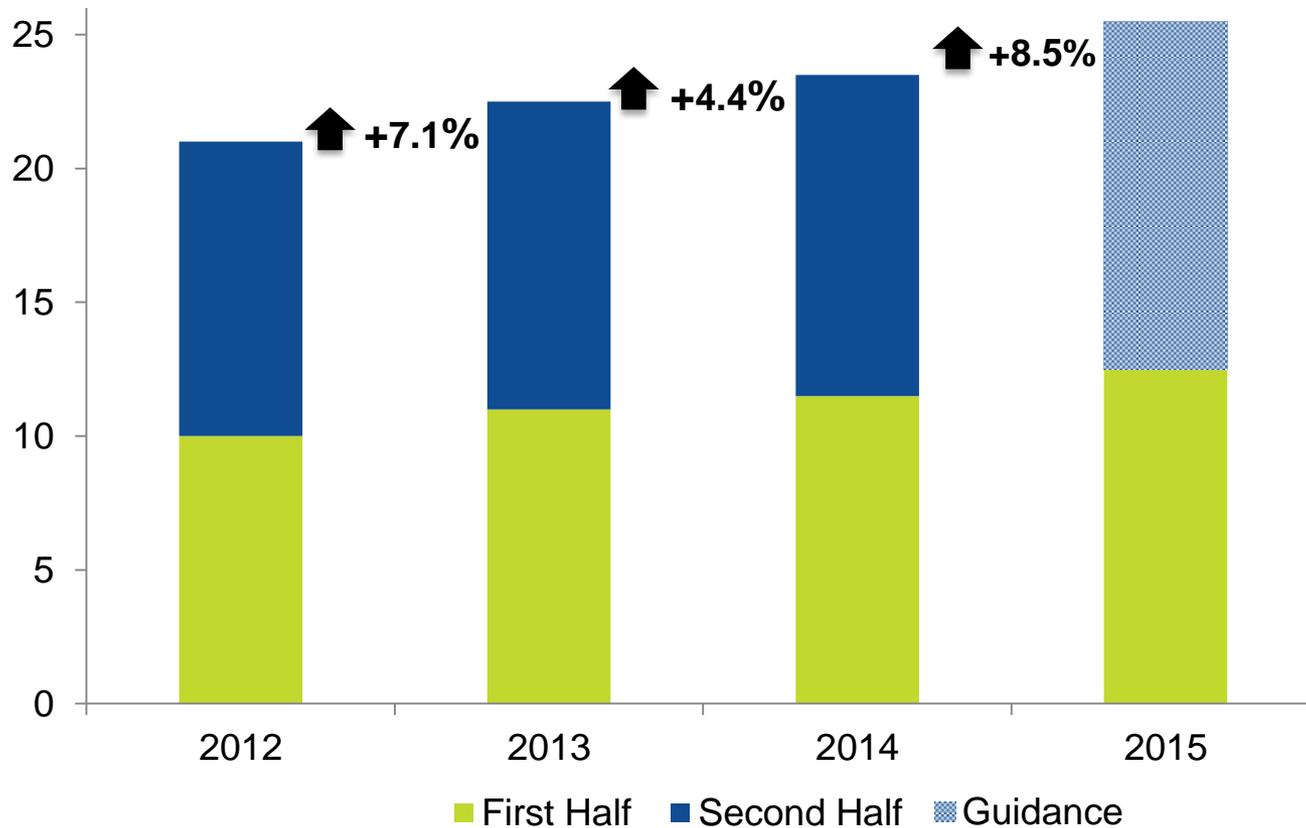
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|--------------------------|---|
| Strategically important  | ✓ Required for our future expansion plans and integration of terminals  |
| Financially important    | <ul style="list-style-type: none"><li>✓ Accretive to EBITDA</li><li>✓ Accretive to CPS</li><li>✓ Facilitates expansion of Sydney Airport's non-aero revenue streams, a key driver of value</li><li>✓ Long term commercial revenue upside from having a single domestic precinct</li></ul>   |
| Operational efficiencies | <ul style="list-style-type: none"><li>✓ Captures 100% of passenger traffic at Sydney Airport</li><li>✓ Produces an uplift in domestic terminal and gate capacity and increases long term flexibility for domestic capacity allocation</li><li>✓ Synergies and economies of scale benefits to operating and controlling 100% of the terminal footprint</li></ul> |
| Operational certainty    | ✓ Provides certainty for both Qantas and Sydney Airport beyond 2019   |

Sydney Airport 



# Distribution Guidance Update

Full year distribution guidance upgraded to 25.5 cents, or 8.5% above the prior corresponding period



## Distribution Drivers

- Strong international traffic
- Significant investment in business expansion
- Inflation or fixed escalations in all revenue streams
- Contracts negotiated on improved terms
- Prudent cost control
- Successful refinancings

## Significant strategic milestones achieved in 1H15

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Aeronautical agreements	<ul style="list-style-type: none"><li>✓ Successfully renegotiated five year deal with international airlines</li><li>✓ Five year investment strategy delivering world class passenger experience improvements, additional capacity to meet new demand and more efficient operations</li><li>✓ Delivers an appropriate return and investment certainty</li><li>✓ Outcome focused agreement, with cooperation to improve the passenger experience and airport operations</li></ul>
Terminal 3 lease variation	<ul style="list-style-type: none"><li>✓ Landmark deal reached to take control of T3</li><li>✓ CPS and EBITDA accretive</li><li>✓ Terminal will move to common use from 2019</li></ul>
WSA consultation	<ul style="list-style-type: none"><li>✓ Successful formal consultation period, with all parties engaged and significant information sharing</li></ul>
Improved passenger experience	<ul style="list-style-type: none"><li>✓ Significant investment in improving passenger service and facilities</li><li>✓ ACCC ranked second highest monitored airport and the most improved airport, recognising major improvements in airfield and terminal infrastructure, and planned ground access improvements</li><li>✓ Most efficient airport in Oceania, recognising best practice in airport management, productivity and efficiency, by Air Transport Research Society (ATRS)</li></ul>
Five year investment program	<ul style="list-style-type: none"><li>✓ \$128.2m invested in infrastructure with all projects executed to plan and budget</li><li>✓ 152 projects successfully delivered over 1H15</li><li>✓ On track for \$1.2b investment program (fully funded until 2017 post T3 transaction)</li></ul>
Sustainability strategy	<ul style="list-style-type: none"><li>✓ Inaugural sustainability report published, responding to stakeholder feedback and covering key sustainability issues</li><li>✓ First Australian airport to commit to annual sustainability reporting</li><li>✓ Level 2 - Airport Carbon Accredited by Airports Council International (ACI)</li></ul>

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# FINANCIAL RESULTS HALF YEAR 2015



# Statutory Income Statement

## Strong revenue growth of 4.6% and EBITDA growth of 6.4%

\$ MILLION	1H15	1H14	% CHANGE
Aeronautical revenue	247.1	236.3	4.6%
Aeronautical security recovery	41.2	41.3	-0.2%
Retail revenue	129.9	125.0	3.9%
Property and car rental revenue	101.0	96.4	4.8%
Car parking and ground transport revenue	72.2	66.4	8.7%
Other	3.4	3.0	7.9%
<b>Total Revenue</b>	<b>594.8</b>	<b>568.4</b>	<b>4.6%</b>
Total Expenses	(106.5)	(109.4)	-2.7%
<b>Profit before depreciation, amortisation, finance cost and income tax (EBITDA)</b>	<b>488.3</b>	<b>459.0</b>	<b>6.4%</b>
Depreciation and amortisation	(141.1)	(151.9)	
<b>Profit/(Loss) before net finance costs and income tax (EBIT)</b>	<b>347.2</b>	<b>307.1</b>	
Interest income	6.0	6.0	
Finance costs and change in fair value of swaps	(219.1)	(292.2)	
Profit before incomes tax benefit/(expense)	134.1	20.9	
Income tax (expense)/benefit	(0.2)	31.8	
<b>Profit after income tax (expense)/benefit</b>	<b>133.9</b>	<b>52.7</b>	
Profit attributable to non controlling interests	(0.7)	(1.2)	
<b>Net Profit attributable to security holders</b>	<b>134.6</b>	<b>53.9</b>	

% changes may not tie exactly due to rounding

# Distribution Reconciliation

## 8.7% distribution growth for the half, covered by net operating receipts

\$ MILLION	1H15	1H14
Profit before income tax (expense)/benefit	134.1	20.9
Add back: depreciation and amortisation	141.1	151.9
Profit before tax, depreciation and amortisation	275.2	172.8
Add/(subtract) non-cash financial expenses		
- Capital Index Bonds capitalised	7.3	17.9
- Amortisation of debt establishment costs	11.9	15.4
- Borrowing costs capitalised	(4.5)	(3.2)
- Fair value adjustment to swaps	(8.2)	51.4
Total non-cash financial expenses	6.5	81.5
Add/(subtract) other cash movements:		
- Movement in cash balances with restricted use	6.1	1.0
- Other	(8.4)	(0.1)
Total other cash movements	(2.3)	0.9
Net operating receipts	279.4	255.2
Stapled securities on issue (m)	2,216.2	2,216.2
Net operating receipts per stapled security	12.6c	11.5c
Distributions declared per stapled security	12.5c	11.5c

## Efficient transaction funding is in place from a range of sources

### CASH FUNDING

- Significant DRP participation, demonstrating support for Sydney Airport stock
- Over 26% take up, via approximately 13,500 security holders
- Approximately 13.2 million securities issued
- \$72.4 million raised

### DEBT FUNDING

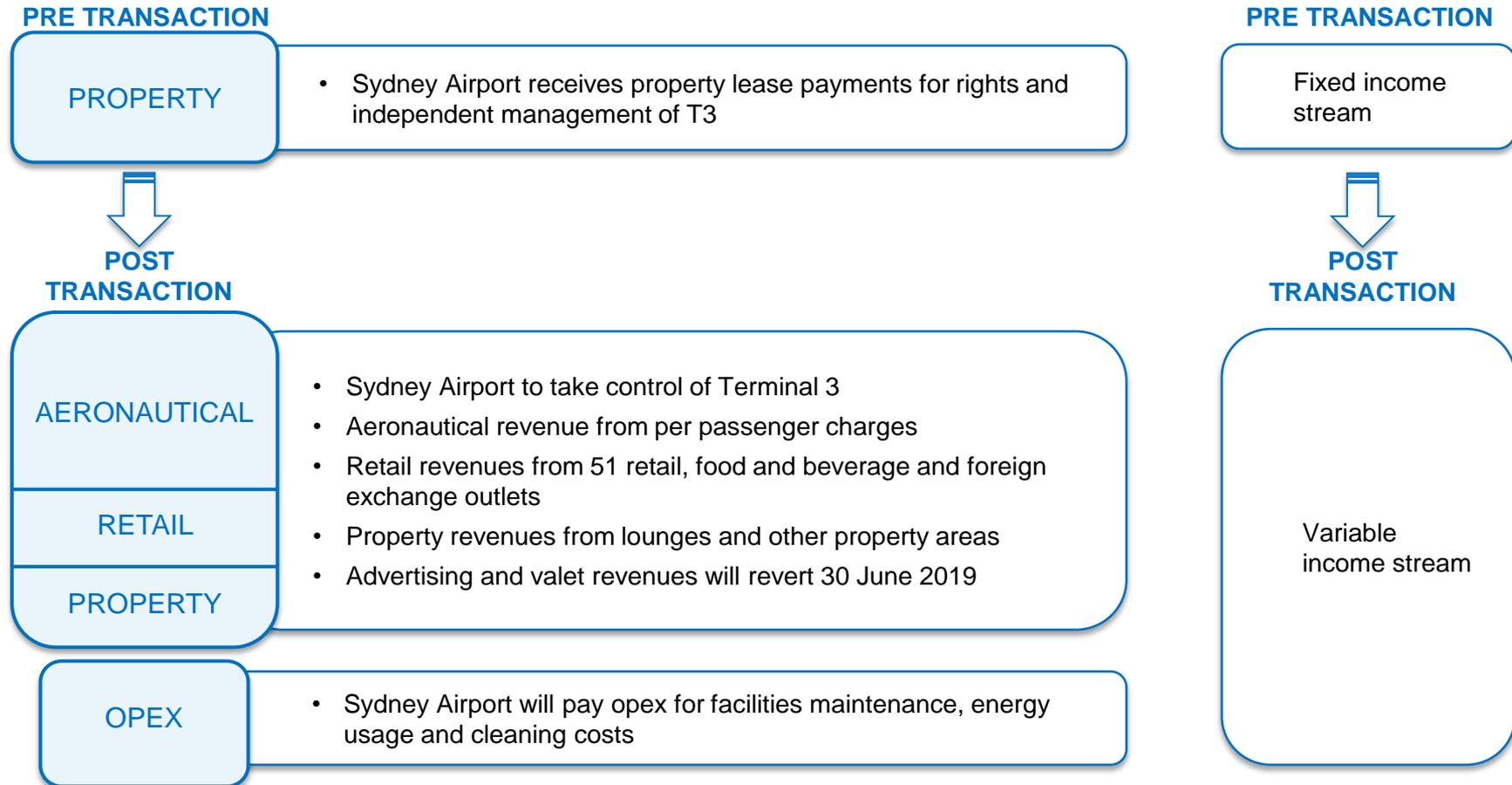
- \$369m of bank facilities to be drawn
- Significant level of undrawn facilities retained post debt funding
- Solid credit metric headroom above internal and external hurdles retained
- Inclusion of cash funding components will further support the airport's credit rating

### /// Terminal 3 funding

SOURCES	\$ MILLIONS	USES	\$ MILLIONS
<b>Distribution Funding</b>			
Distribution Reinvestment Plan	60	Terminal 3 purchase price	535
<b>Debt Funding</b>			
Bank debt drawdown	369		
<b>Cash</b>			
Existing cash (former debt service reserve account)	106		
<b>TOTAL SOURCES OF FUNDS</b>	<b>535</b>	<b>TOTAL USES OF FUNDS</b>	<b>535</b>

# Terminal 3 Operational Performance

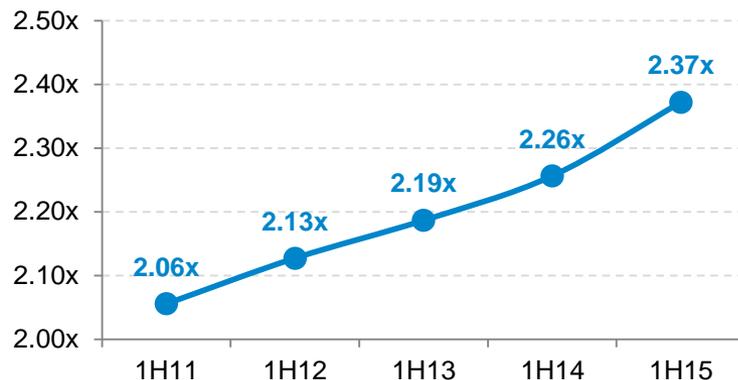
## Terminal 3 transaction will create multiple new revenue streams and operating expenses



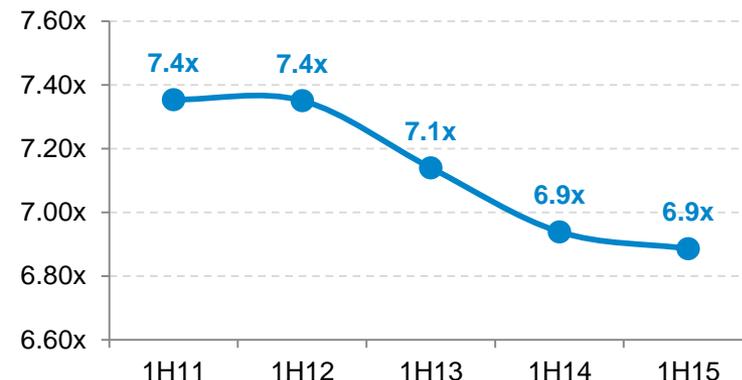
## Strong balance sheet with significant financial flexibility and liquidity

- Undrawn facilities of ~\$660m<sup>1</sup> to fund current liabilities and growth capex into 2017, post T3 transaction
- As at 30 June, CFCR of ~2.4x and Net Debt to EBITDA of 6.9x highlights continued natural deleveraging
- No refinancing requirements until 2017 as a result of our proactive refinance approach, even post T3 transaction
- Average maturity in 2023<sup>1</sup> with opportunities to further spread and lengthen maturity profile
- Stable cash cost of debt at 6.0%<sup>2</sup> with interest rate exposure highly hedged and currency exposure fully hedged

### /// TOTAL INTEREST COVERAGE



### /// NET DEBT TO EBITDA



<sup>1</sup> As at 30 June 2015 adjusted for \$475m 2H15 bond maturity redemption and \$369m T3 debt related funding using committed sources of undrawn bank debt  
<sup>2</sup> Excludes non-cash items i.e. capitalised interest and borrowing costs, changes in the fair value of swaps and amortisation of debt establishment and other borrowing costs

# Successful 2015 Refinancing

## AUD643m (USD500m) US144A bond issuance exceeded all refinancing objectives

### OPTIMISED PRICING

- ✓ Pricing inside current portfolio average

### SPREAD AND LENGTHENED MATURITY PROFILE

- ✓ Average maturity lengthened by seven months
- ✓ Profile spread with gap filled in 2025

### DIVERSIFIED FUNDING SOURCES

- ✓ Significant allocation to new investors

### MAINTAINED CAPACITY FOR FUTURE RAISINGS

- ✓ Significant oversubscription
- ✓ Successful return to the US144A market sets a well priced benchmark for future issuance

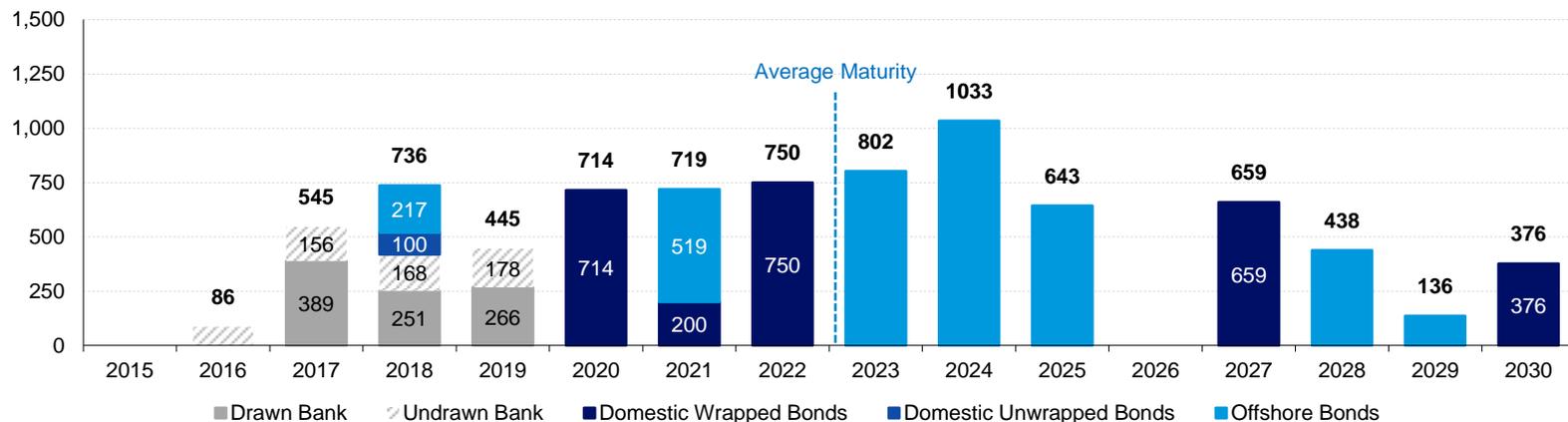
### MINIMISED EXECUTION RISK

- ✓ 2015 maturities addressed well in advance

### MAINTAINED BBB/Baa2 CREDIT RATING

- ✓ BBB/Baa2 credit rating maintained

### /// DEBT MATURITY PROFILE<sup>1</sup>



<sup>1</sup> As at 30 June 2015 adjusted for \$475m 2H15 bond maturity redemption and \$369m T3 debt related funding using committed sources of undrawn bank debt

## Capital expenditure allocation of \$128 million, all projects required to meet stringent hurdles

### CAPITAL DISCIPLINE

- Sydney Airport's approach to capital investment is to examine each stage of the passenger journey and enhance the passenger experience, improve efficiency of operating and increase capacity in line with demand
- The projects underway and completed during 1H15 are focused on delivering these outcomes

MAJOR 1H15 CAPITAL INVESTMENT	
PROJECT	EXPECTED COMPLETION DATE
Early bag store	Completed
Taxiway resheeting	Completed
Expanded gate lounges	2H15
Northern lands Bridge	1H16
T1 Improvements	2H16
Increased aircraft parking	2H16
Ground Transport improvements	2019



Northern Lands Bridge construction

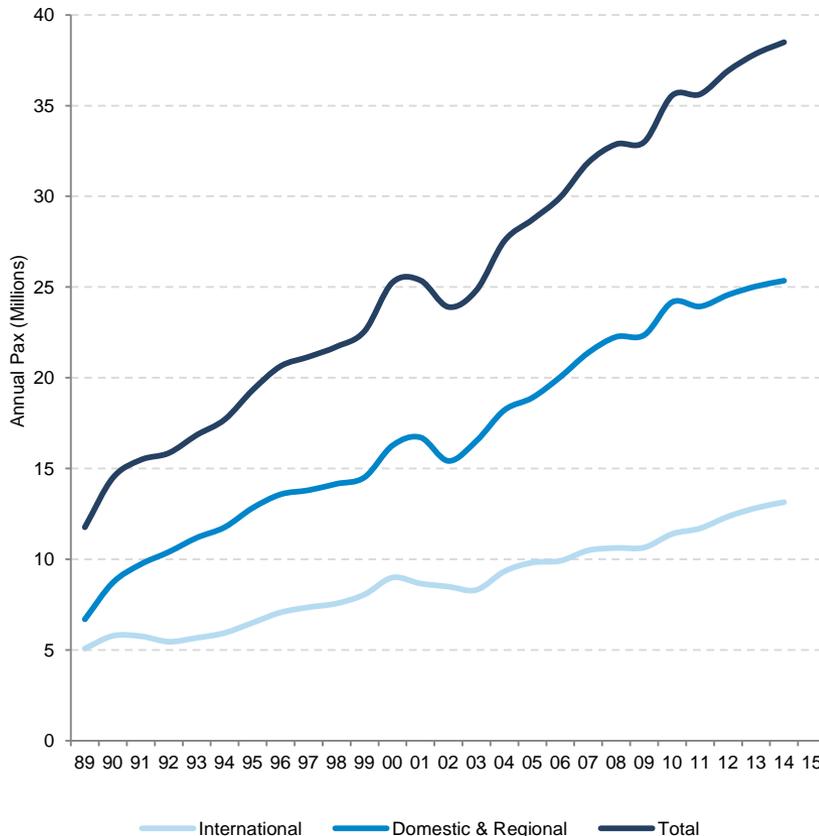
# TRAFFIC AND CAPACITY GROWTH



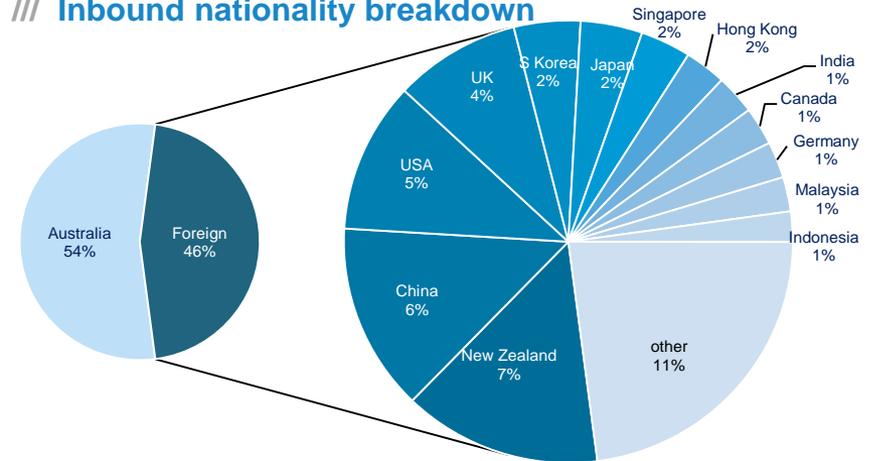
# Long Term Passenger Growth Trends

Significant tail winds driving long term passenger growth. Balanced inbound and outbound and diverse nationality and destination mix

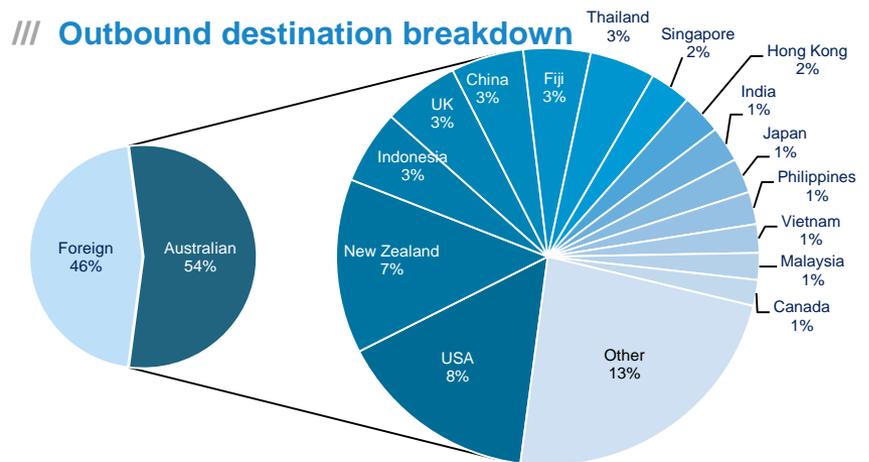
## /// Long term traffic growth



## /// Inbound nationality breakdown



## /// Outbound destination breakdown



# Passenger Growth In First Half 2015

## Load factor increases drove passenger growth in 1H15, with significant capacity additions commencing 2H15

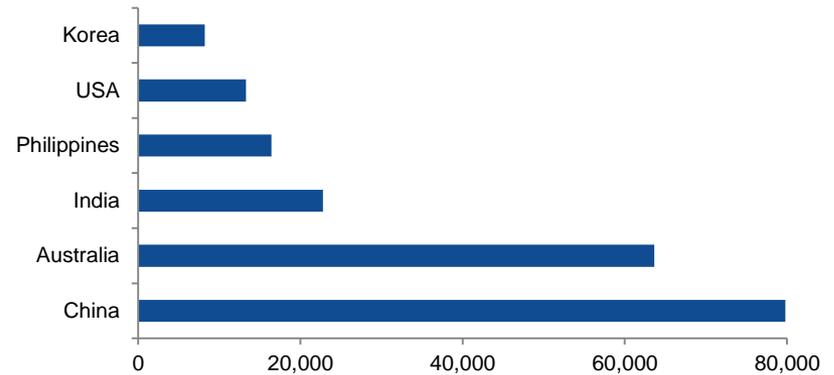
### AVIATION BUSINESS DEVELOPMENT

- Strong load factor growth over the half and significant capacity growth announcements with services commencing second half
  - Load factors on international services increased by a significant 3.5 percentage points
  - Stronger load factors are a leading indicator for future capacity additions
- New international carriers Solomon Airlines, American Airlines, ANA, Xiamen Airlines and Indonesia AirAsia X announced the commencement of services to Sydney this year
- New routes, new services, aircraft upgauges and frequency increases announced from most major airline partners

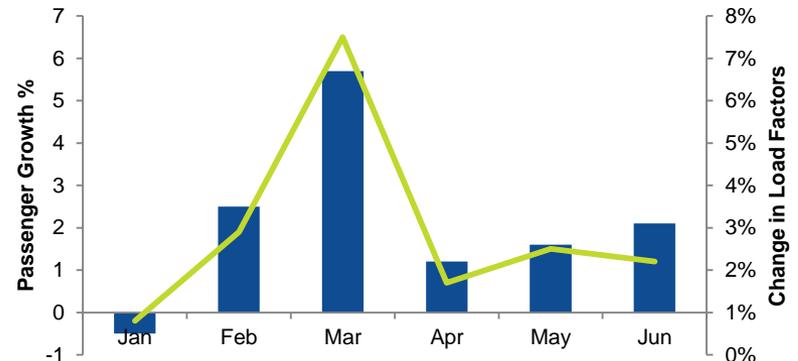
### /// Passenger Growth in 1H15

Passengers ('000s)	1H15	1H14	Growth
Domestic	12,393	12,189	+1.7%
International	6,604	6,425	+2.8%
Total	18,997	18,613	+2.1%

### /// Nationality growth 1H15 – Passenger numbers



### /// Load Factor and Passenger growth in 1H15



## Sydney has a natural catchment and a unique competitive advantage

### BUSINESS AND ECONOMIC HUB

- 41% share of Australia's international premium passengers, providing airlines with a significant revenue premium compared to other Australian airports
- 600 multinationals have their Asia-Pacific headquarters in Sydney, 90% of international banks have their regional headquarters in Sydney

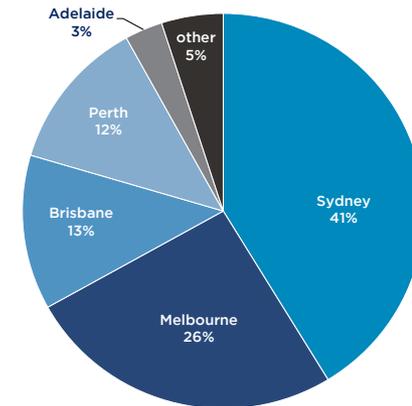
### TOURISM HUB

- Sydney is the distinct leader amongst Australian cities for international leisure passengers, catering to over 6.5m sector passengers per annum
- 34% of all bed nights are spent in Sydney and NSW

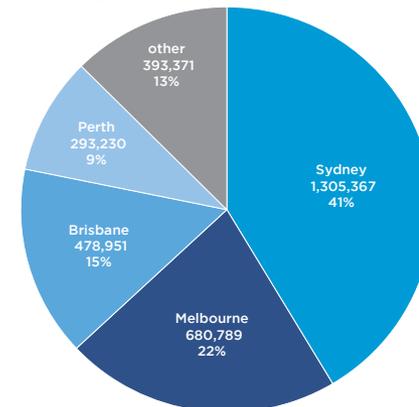
### EDUCATION DEMOGRAPHIC HUB

- The Sydney market has many attractive features, including large immigrant and foreign student population
- 32% of Australia's population lives within the Sydney Airport catchment area
- 47% of people with Chinese ancestry reside in Sydney

### /// International premium passenger revenue



### /// Inbound foreign nationality share



# KEY 1H15 INITIATIVES



## Airlines which represent more than 98% of passengers have signed new five year agreements

Agreements follow an unprecedented level of consultation, information exchange and clarity as to each airline partners' requirements

### NEW AGREEMENT WILL FACILITATE:

- Improved customer experience and presentation standards, resulting in an incremental uplift to operating expenses of \$8m per year
- Design and implementation of a service level framework
- New forum for ongoing airline consultation
- Five year investment strategy which will deliver further world class passenger experience improvements, additional capacity to meet new demand and more efficient operations, resulting in an incremental uplift to operating expenses of around \$8 million per year.
- Aeronautical charges under the new commercial agreement will follow an agreed price path, passenger charge will step down by \$0.18 to \$24.00 per passenger for the period of 1 July 2015 to 30 June 2016; and will increase by an average of 3.8% per annum over the subsequent four years of the agreement.
- Delivers an appropriate return on the significant investment commitment



## Sydney Airport has commenced phase two of the T1 improvement program to deliver a world-class airport experience for passengers, visitors and staff

### T1 STRATEGY

- The T1 transformation focuses on the airline and passenger experience
- The investment plan was based on extensive airline and passenger feedback

### PASSENGER AND AIRLINE BENEFITS

- Wider pathways to deliver improved passenger flows and more direct paths to aircraft gates
- A new central 'boulevard' providing passengers with shorter walking distances, greater lines of sight and access from security to the boarding gates and aircraft
- Clear signage and wayfinding
- Additional casual seating located closer to boarding gates
- Improved pre-passport control zones, more space for access to e-passport kiosks, orientation space and optimised access to passport control line.
- Project is tracking on time and budget. Phase two commenced in June and completion of the overall T1 improvement program is scheduled for mid-2016



Artists impression, not an accurate representation of the finished redevelopment

# Heinemann Duty Free Store Launch Timetable

Largest stand alone duty free store world wide over 5,700m<sup>2</sup>

- 14 July 2015 **Heinemann's first duty free store opens** – Arrivals pier C
- September 2015 Arrivals pier B opening
- September 2015 Phase one of main departures duty free store opening
- October 2015 Departures pier B South opening
- November 2015 Departures pier C opening
- February 2016 Luxury brand stores within main departures store to open
- Mid 2016 Food and dining concepts open T1 Departures



## Retail strategy- Deliver maximum retail value via an expanded retail offering and superior passenger experience

### TERMINAL 1 AND CONTRACT NEGOTIATION

- T1 casual dining precinct has been transformed with new food offerings including: Roll'd, Hokka Hokka, Mach2, Grand Cru, Soul Origin, Oliver Brown and Nando's
- Some of the largest contracts in Retail have been renegotiated in the last 12 months on superior terms (Duty Free, Advertising, Travel Essentials and Australian Experience contracts)

### TERMINAL 2

- T2 casual dining precinct refresh has commenced, the focus being fast and fresh together with value and choice. Works are due for completion late 2015
- Seven new tenancies in T2 will open late 2015, Roll'd, Hokka Hokka, SumoSalad – Green Label, Red Rooster, Sahara Grill, Mad Mex and Chur Burger
- AMUSE beauty studio opened in May. The first airport in Australia to showcase the beauty retail offering



## Ground transport initiatives driving a superior customer experience and traffic circulation

### GROUND TRANSPORT STRATEGY

- Sydney Airport is focused on delivering improvements to traffic flow in and around the airport and working in collaboration with the NSW Government
- Airline passengers, airport workers and other airport visitors are already experiencing the benefits of the Five Year Ground Transport Plan with the opening of the new T1 express pick up and drop off zone, Centre Road and the new dedicated exit onto Airport drive heading to the city
- The T2/T3 Ground Access Improvements and Hotel Major Development Plan was approved in March and Sydney Airport has commenced the delivery of these transformational ground access solutions



### GROUND TRANSPORT PROGRESS -T1

- Construction of the new exit from Marsh Street to Centre Road and preparatory works on the Airport Drive to Arrivals Court flyover will commence in November 2015

### T2/T3

- Demolition of the hangars commenced in May to deliver the extension of Seventh Street, creating a new five lane one way exit from the T2/T3 precinct that is scheduled to be operational in December 2015
- Construction of the first stage of the Pedestrian Corridor Program is planned to commence in November 2015

## New management initiatives driving future revenue streams

Car parking yield management system commencement

- ✓ Pricing based on supply and demand, car park location and booking time
- ✓ Early booking rewards – value proposition focus
- ✓ Customer experience focus through technology compatibility

Car parking expansion

- ✓ Car parking works approved as part of T2/T3 major development plan. Three new floors to be constructed on P3 car park, commencing Q415
- ✓ Multi storey car park at T1 to be expanded, with construction of an additional four floors to commence second half 2015
- ✓ Ground transport interchange works approved inclusive of 4,000 space car park in the medium term.

Two hotel expressions of interest

- ✓ T2/T3 precinct - two/three star hotel, adjacent to the existing Ibis Hotel
- ✓ T1 precinct - 100 to 200 room, limited service hotel at one of four potential sites

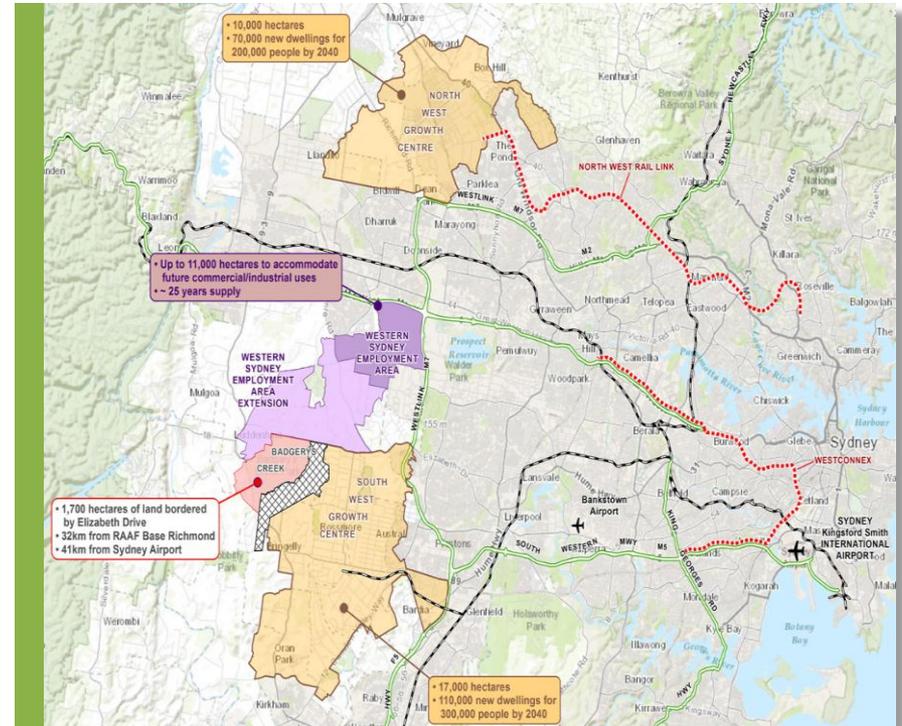
Northern lands bridge

- ✓ Bridge to Northern Lands well progressed
- ✓ First commercial operation expected to be 1,000 space vehicle storage
- ✓ Scheduled completion first quarter 2016



## The construction of a new airport is a unique and exciting opportunity

- Formal nine month consultation period has finished. Now jointly agreed to participate in ongoing informal discussions, given the timetable and scope of work to be done
- Government has indicated they expect to deliver the confidential Notice of Intention towards the end of the year
- NSW Government is developing the biggest employment zone in the state right next to the airport
- Operating KSA and WSA in a system both airports will be well placed to service the markets in which they operate
- Sydney Airport continues to work actively to understand all stakeholder impacts and expectations



### Indicative Timeline Only



# OUTLOOK AND GUIDANCE



- Management is focused on improving the customer experience and in turn driving stronger business outcomes
- Balance sheet strength, substantial liquidity and undrawn credit facilities available to fund future capital expenditure into 2017 provides Sydney Airport with a platform from which it can invest and grow
- Management will continue to capitalise on Sydney Airport's unique position as Australia's major gateway and tailwinds including lower fuel prices and new free trade and bilateral air service agreements

## KEY 2015 FOCUS AREAS

- Implementation of improved quality of service outcomes associated with the new aeronautical agreements
- Transition of terminal 3
- Aviation business development
- Continued roll out of Ground Transport improvements
- Airfield and capacity expansion
- Hotel strategy
- Evaluation of Western Sydney Airport opportunity

## UPGRADED GUIDANCE

- Upgraded guidance to 25.5 cents per stapled security distribution for 2015<sup>1</sup>
- \$1.2bn capital expenditure over the next five years (2015-2019)

<sup>1</sup> Guidance subject to aviation industry shocks and material forecast changes





**THANK YOU  
FOR YOUR ATTENTION**