

Welcome to  
Sydney's Airport

# Half Year Results 2019

16 August 2019

# SYD



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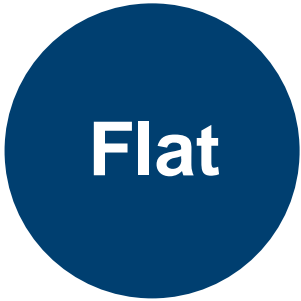
# Highlights

Solid performance delivered across 1H19



**21.6m**  
Total Passengers

International 1.9%  
Domestic -1.5%



**170,722**  
Total Movements



**\$797.1m**  
Total Revenues



**\$648.5m**  
EBITDA<sup>1,2</sup>

<sup>1</sup> EBITDA (and its components) throughout presentation based on SCACH Group rather than SYD Group figures.  
<sup>2</sup> Includes one-off restructuring and redundancy expenses of \$2.4m



## Financial Results

# Statutory Income Statement

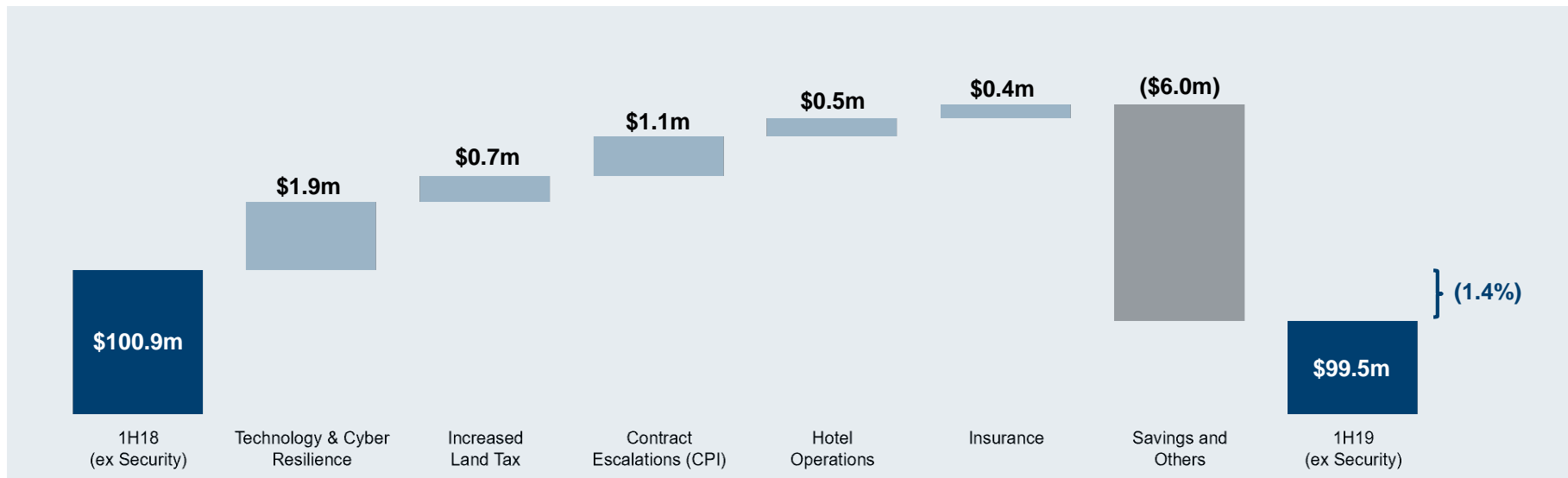
**Strong revenue growth and cost management driving statutory income growth**

<b>\$ MILLIONS</b>	<b>1H19</b>	<b>1H18</b>
Aeronautical revenue	361.3	345.0
Aeronautical security recovery	50.1	48.2
Retail revenue	184.2	177.1
Property and car rental revenue	120.3	118.2
Parking and ground transport revenue	77.6	78.6
Other revenue	3.6	3.8
<b>Total revenue</b>	<b>797.1</b>	<b>770.9</b>
Total operating expenses	(146.2)	(145.5)
Restructuring and redundancy expenses	(2.4)	-
<b>Profit before depreciation, amortisation, finance cost and income tax (EBITDA)</b>	<b>648.5</b>	<b>625.4</b>
<b>Capital expenditure</b>	<b>116.1</b>	<b>179.6</b>

# Disciplined Cost Control

## Cost control delivering savings in current and future years

- 1H19 operating expenses<sup>1</sup> decreased by \$1.4m or 1.4% versus prior corresponding period
- On track for full year decrease in operating expenses<sup>1</sup>
- Savings realised through a range of initiatives including a simplified organisation, energy procurement and other contract negotiations
- Organisational restructure at end of 1H19 will deliver benefits in 2H19 onwards



<sup>1</sup> Operating expenses excluding recoverable security expense.



# Capital Expenditure



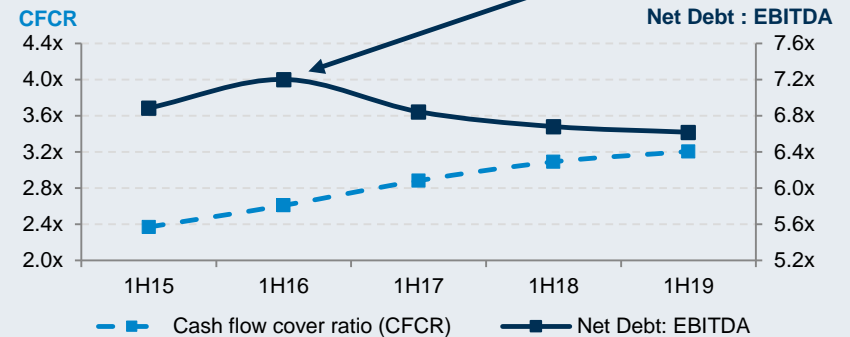
# Capital Management

## Strong interest coverage and strong balance sheet

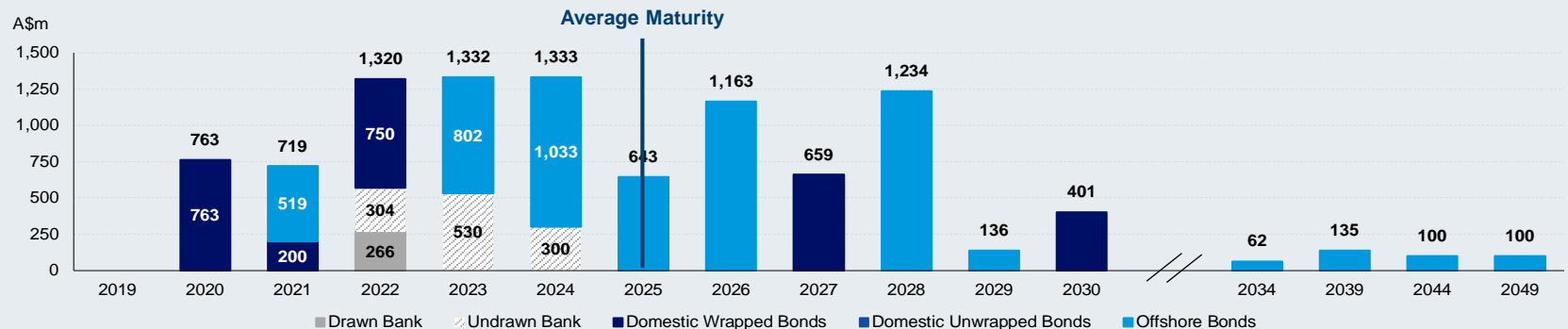
### 30 June 2019 Metrics

Net debt	\$8.7bn
CFCR <sup>1</sup>	3.2x
Net debt : EBITDA <sup>1</sup>	6.6x
Credit rating	BBB+ (stable) / Baa1 (stable)
Next drawn maturity	2020
Average maturity	Mid-2025
Average cash interest rate <sup>4</sup>	4.6%
Spot interest rate hedge position	96% (incl. bank debt)

### CFCR<sup>2,3</sup> and Net Debt : EBITDA<sup>2,3</sup>



### Debt Maturity Profile



<sup>1</sup> Debt metrics calculated for the SCACH Group in line with financing documents.

<sup>2</sup> Excludes WSA project costs expensed (2016).

<sup>3</sup> Excludes EBITDA in relation to the Ibis Budget hotel for Q3 2017 given transitional treatment as an Excluded Subsidiary under finance documents (2017).

<sup>4</sup> Excludes capitalised interest, fair value of swaps and amortisation of debt establishment and other costs.

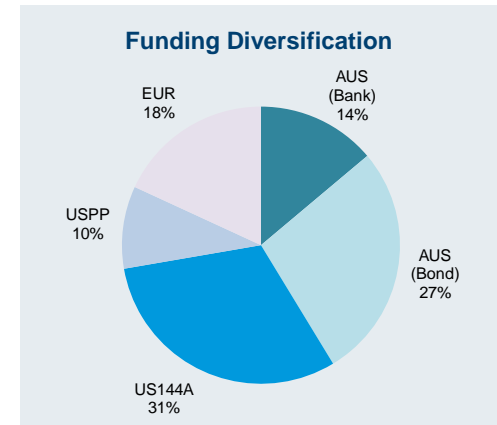


# Australian First – Syndicated Sustainability Linked Loan

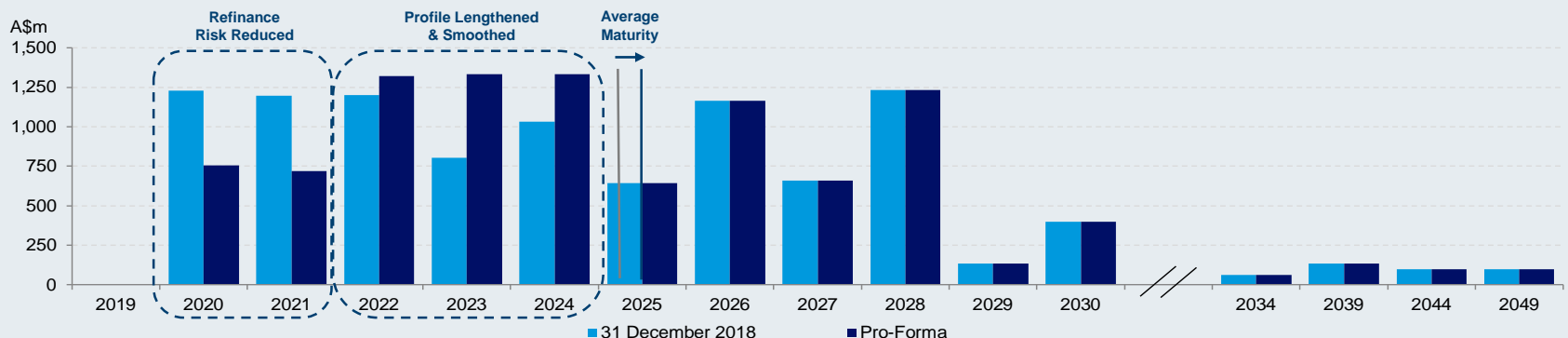
## A\$1.4 bn of bank debt facilities refinanced by way of a market-leading Sustainability Linked Loan

Direct link established between our sustainability performance and funding cost, with the Sustainability Linked Loan (SLL) delivering strong capital management and sustainability outcomes:

- A\$1.4 billion of bank debt facilities refinanced in May 2019 at lower margins
- Weighted average debt maturity extended 3 months to mid-2025
- Debt maturities over 2021-22 reduced by 38%, with strong liquidity positioned maintained
- The first syndicated (multi-bank) SLL in Australia, largest syndicated SLL across Asia Pacific
- Commitment to being an industry leader in sustainability reinforced with further innovation



### Debt Maturity Profile





Opportunities across all businesses

# Simplified Organisation

**A strong business model combined with effective management will continue to deliver results**

## Streamlined structure

- Collapsed four business units into two, Aeronautical and Non-Aeronautical
  - Removed duplication
  - Consolidation of key corporate functions
  - Knowledge sharing and cross-team collaboration
- Restructured workforce
  - Reduced headcount by 8%
  - CEO direct reports reduced from ten to five
  - 22 talent moves across the organisation
- Focus on operating expenses
  - Mindset shift
  - Procurement/contract management
  - Project prioritisation
- Dedicated resources for the exploration of core and adjacent opportunities



# Strong Business Growth

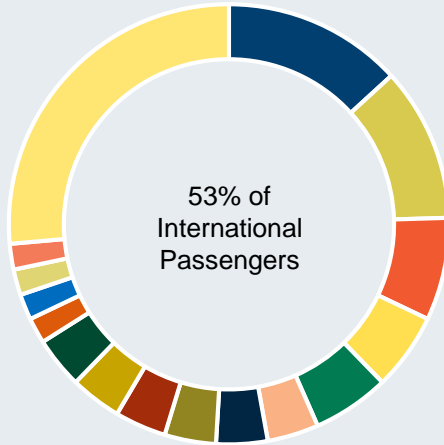
Delivering results in a challenging environment



<sup>1</sup> Excludes security recovery revenue \$50.1 million.

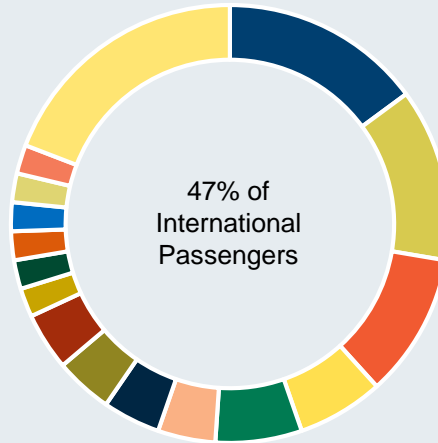
# Highly Diversified Passenger Mix

## Australian Destination Departures



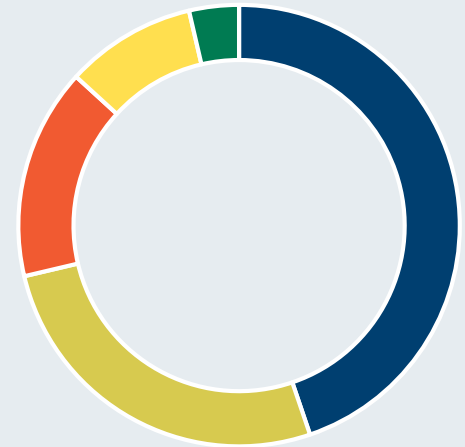
- USA (7%)
- China (4%)
- UK (3%)
- Fiji (2%)
- India (2%)
- Hong Kong (2%)
- Philippines (1%)
- Canada (1%)
- New Zealand (6%)
- Indonesia (3%)
- Thailand (2%)
- Japan (2%)
- Singapore (2%)
- Vietnam (1%)
- Italy (1%)
- Other (14%)

## Foreign Residency Arrivals



- China (7%)
- New Zealand (5%)
- Japan (3%)
- India (2%)
- Singapore (2%)
- Malaysia (1%)
- Indonesia (1%)
- France (1%)
- USA (6%)
- UK (3%)
- South Korea (2%)
- Hong Kong (2%)
- Canada (1%)
- Taiwan (1%)
- Germany (1%)
- Other (9%)

## Foreign Residency Purpose of Travel

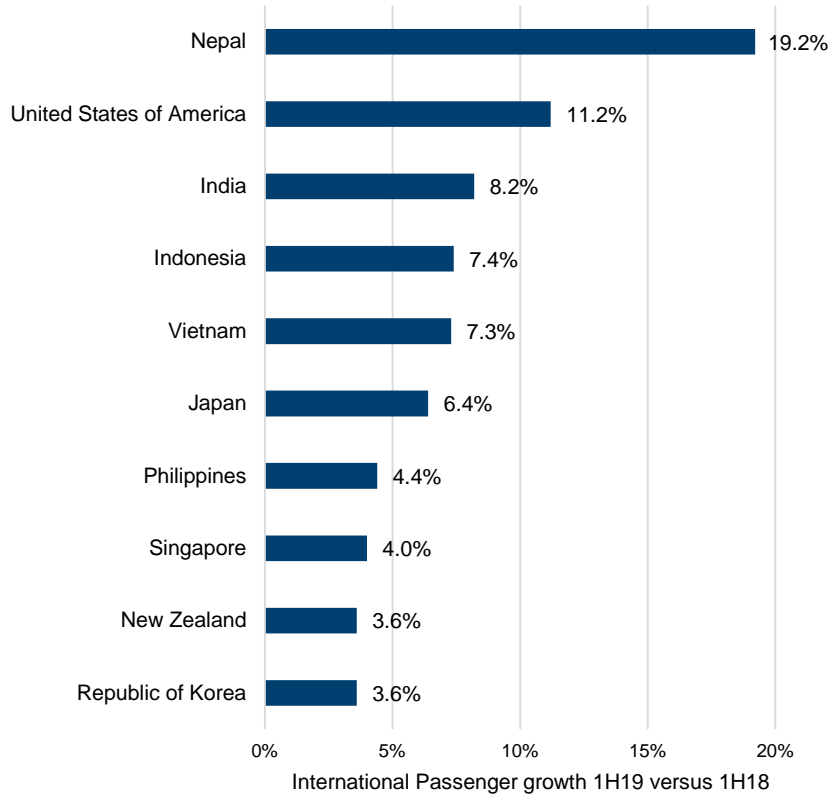


- Holiday (44%)
- Visiting Friends and Relatives (27%)
- Business (15%)
- Education (10%)
- Other (4%)

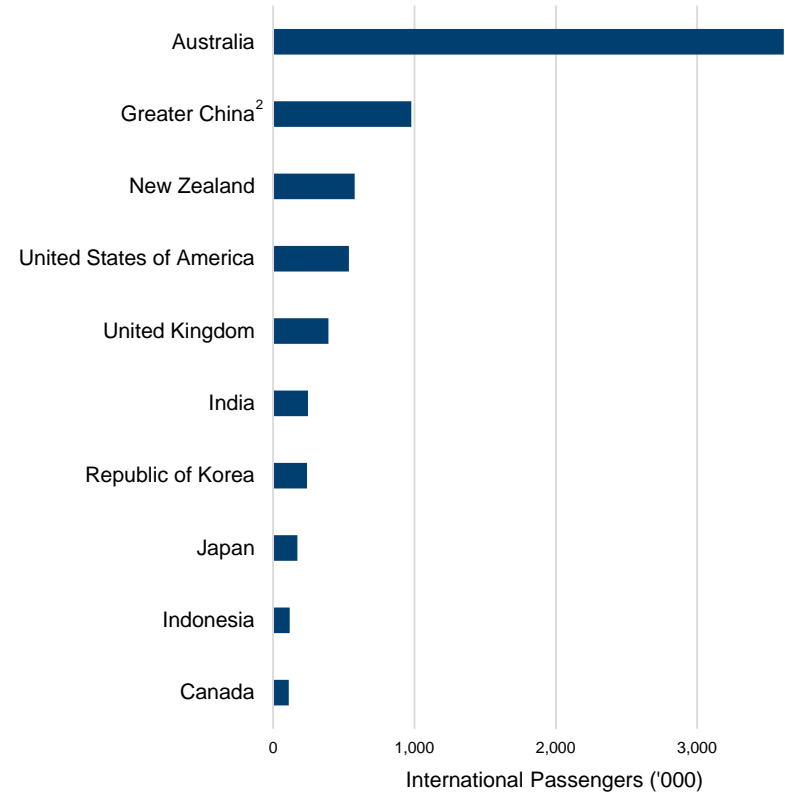
# Aeronautical – Passenger Growth

## Diversity of passengers

Fastest growing nationalities<sup>1</sup>



Top 10 nationalities



<sup>1</sup> Foreign nationalities with greater than 40,000 passengers in 1H19.

<sup>2</sup> Greater China includes Mainland China, Hong Kong, Taiwan and Macau.



# Aeronautical Opportunities



## CAPACITY

Growing passengers and attracting new airlines

- Emerging market opportunities
- Team re-structured to support new and existing airlines

Delivering efficient infrastructure in line with demand and consistent with future airline needs

- Southern bag room
- Pier A and Northern Ponds delivering new gates and aprons

## COMPETITION

Investment in creating a world class experience, to compete locally and globally

- International and domestic terminal development
- Engaging Government in aviation development support including through air service agreements, visas and tourism promotion

Focus on ground transport including Sydney Gateway



## CUSTOMERS

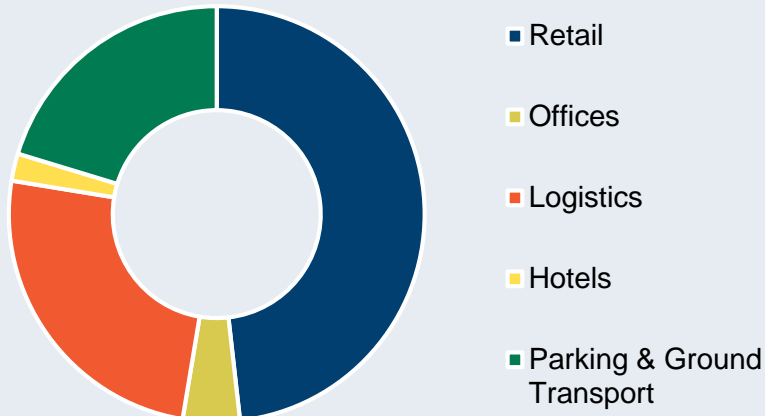
Delivering what our customers value

- Seamless integrated experience
- Enable passengers to manage their own journey
- Elimination of pinch points
- Digitally connected, efficient and cost effective airport

# Highly Diversified Non-Aeronautical Business

- Diversified commercial business and revenue streams
- Leases underpinned by annual contracted escalations
- 93% of retail leases underpinned by minimum guarantees
- Strong demand for and limited supply of all commercial real estate assets

Non-Aero Revenue Split 1H19



## RETAIL

150+ tenants  
31,300 square metres  
99% occupancy



## OFFICES

50+ tenants  
38,900 square metres  
98% occupancy



## LOGISTICS

90+ tenants  
879,000 square metres  
98% occupancy



## HOTELS

2 Hotels – Mantra & Ibis  
414 rooms  
278 budget rooms and 136 mid scale rooms  
85% occupancy



## PARKING & GROUND TRANSPORT

7,900 international car spaces  
10,900 domestic car spaces



# Non-Aeronautical Opportunities

Retail remixing opportunities being progressed

- 80% of T3 retail leases due to expire across 2019
- T1 Luxury Precinct expansion underway, opening 1H20

Transition of T3 Valet and Advertising to SYD operations from 1 July 2019

Enhancing International lounge services

- Arrivals lounge and hotel including sleeping pods due to open 1H20
- New AMEX lounge opening 2H19

Continued improvement and expansion of hotel products

- Ibis additional 78 rooms opened 1H19
- Pre-planning of new domestic hotel

Recent road upgrades and traffic management strategies have improved journey times

- International peak period drop-off zone introduced in 1H19, resulting in 9 minute travel time reduction

Land unlock strategy underway, focusing on underutilised land

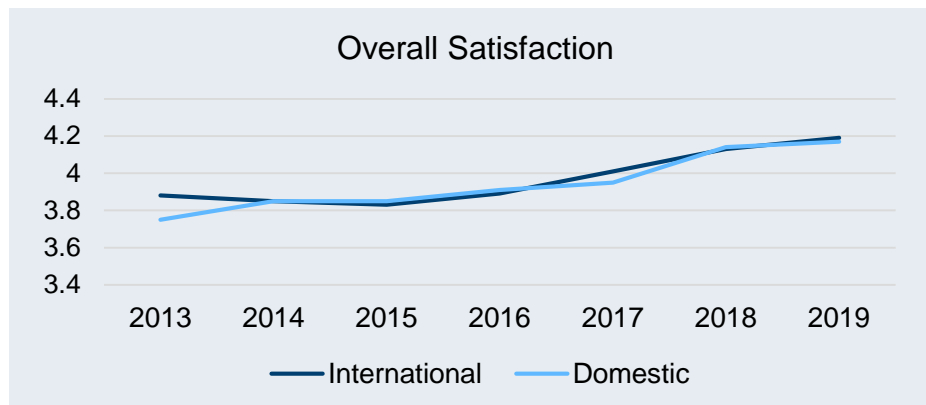
- Interim activation of 35,000 sqm in Southern Precinct
- Large footprint of property leases expiring in 2020



# Satisfied Customers

**Our customers are regularly surveyed about their airport experience to inform where we can improve**

Ratings out of 5	International	Domestic
Overall Satisfaction	<b>4.2</b> +2.0% from 1H18	<b>4.2</b> +1.2% from 1H18
Ambience	<b>4.3</b> +1.0% from 1H18	<b>4.2</b> +0.2% from 1H18
Cleanliness	<b>4.3</b> +0.0% from 1H18	<b>4.2</b> +0.0% from 1H18
Wayfinding	<b>4.2</b> +2.4% from 1H18	<b>4.3</b> +1.9% from 1H18

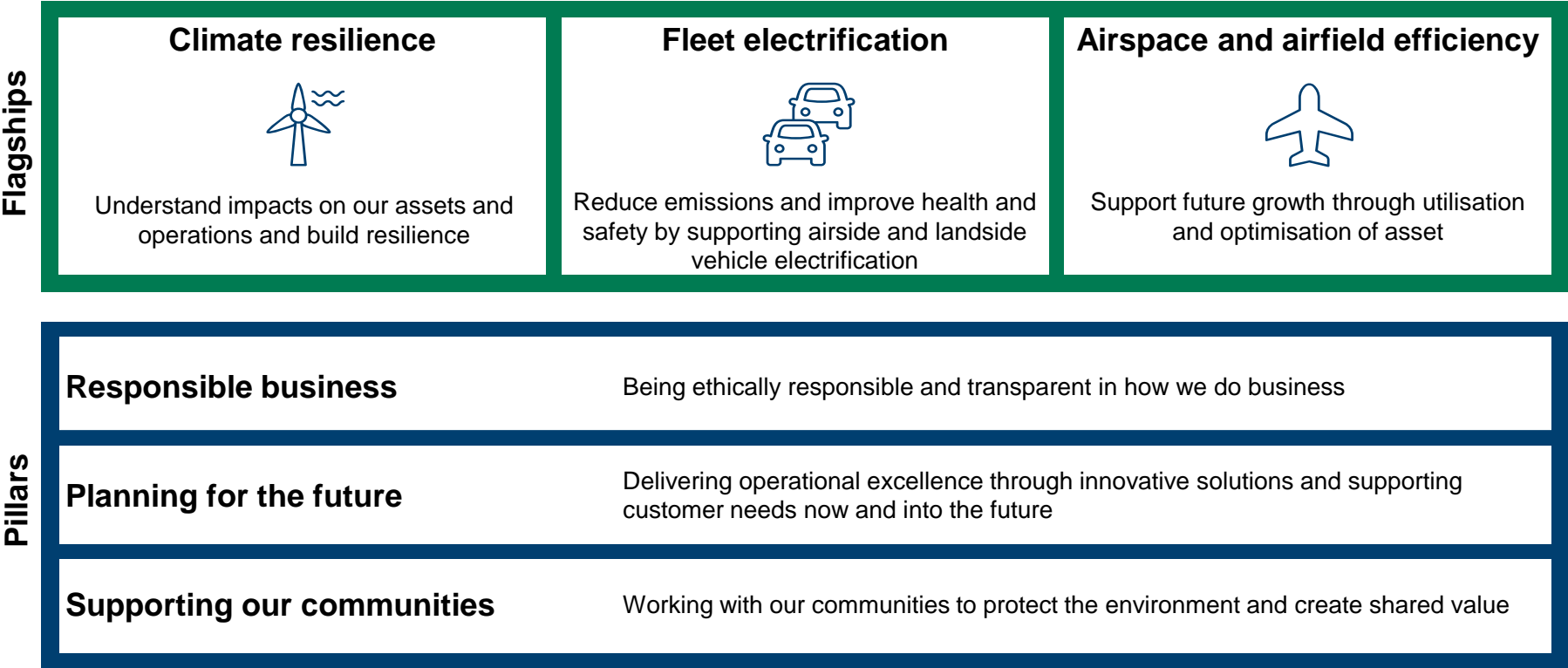


## Delivered for our customers in 1H19

- ✓ Level 2 Globally recognised Customer Experience Accreditation
- ✓ 1,000 new charging points across T1 and T2
- ✓ 2,000 refills per day from two new water filling stations in T2
- ✓ New bathrooms in T1
- ✓ Navigation app for low vision customers
- ✓ New retail and F&B precinct with increased circulation and seating in T2
- ✓ Five new e-directories for locating services

# Sustainable Airport

Sydney Airport is a global leader in ESG performance with sustainability embedded in all aspects of our business. We've identified three flagship initiatives to support long term growth



# Sustainable Leadership

Sydney Airport's commitment to sustainability in the transport infrastructure and aviation sectors continues to gain global recognition

Ratings

**Sustainalytics**

**Ranked  
3<sup>rd</sup>**



Ranked 3<sup>rd</sup> globally in the airport sub-industry sector  
Ranked 22<sup>nd</sup> in the global transportation sector

**Dow Jones Sustainability Index**

**Ranked  
7<sup>th</sup>**



Ranked 7<sup>th</sup> globally  
'Sustainability Leader' in the transport infrastructure sector

**MSCI**

**'AAA'  
Rating**



Top 9% of companies globally within the infrastructure sector





# Outlook



# Outlook

Three-year capex guidance for  
2019-2021 of

**\$0.9-1.1bn**

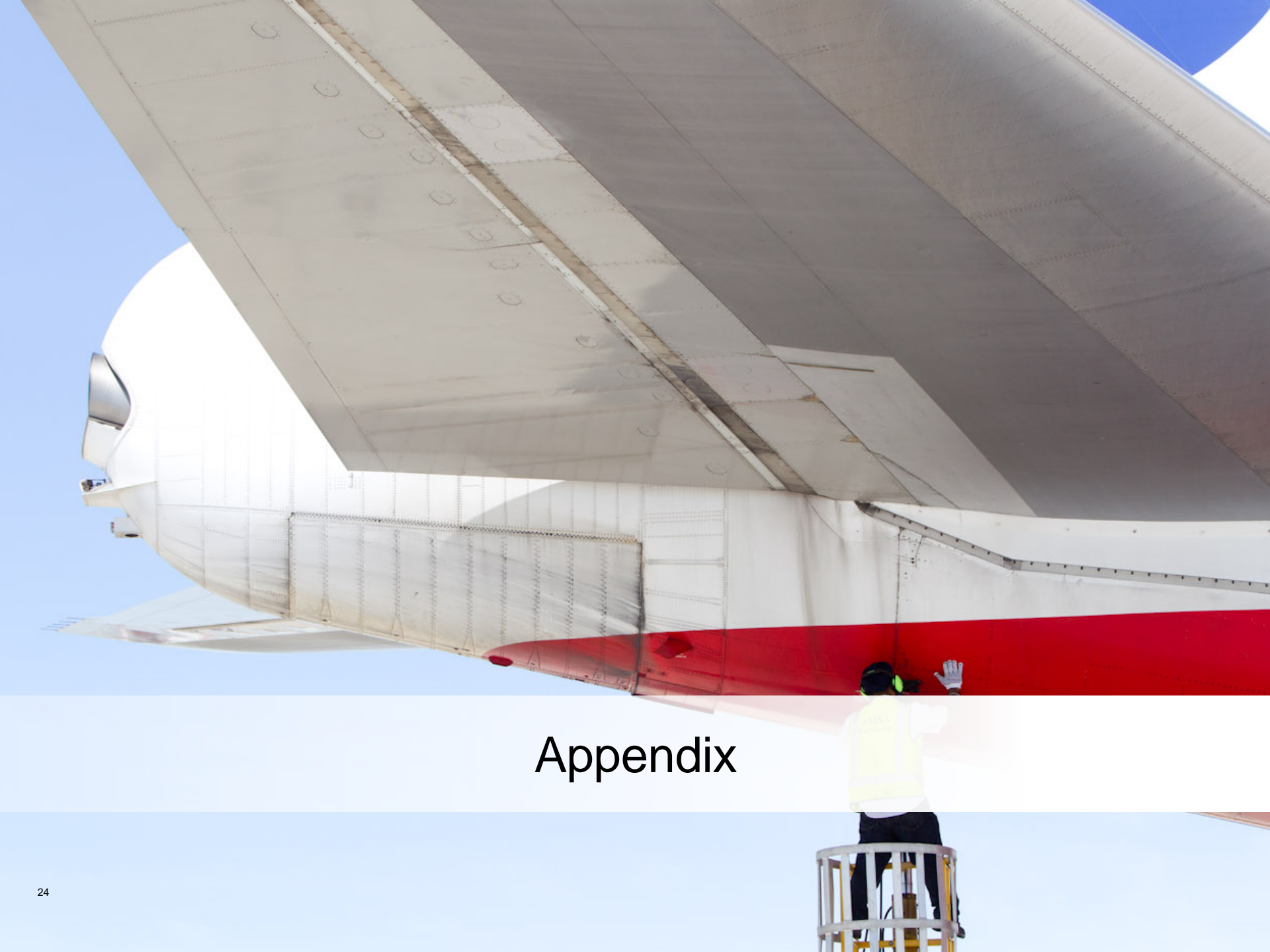
2019 capex  
guidance

**\$300-350m**



Questions

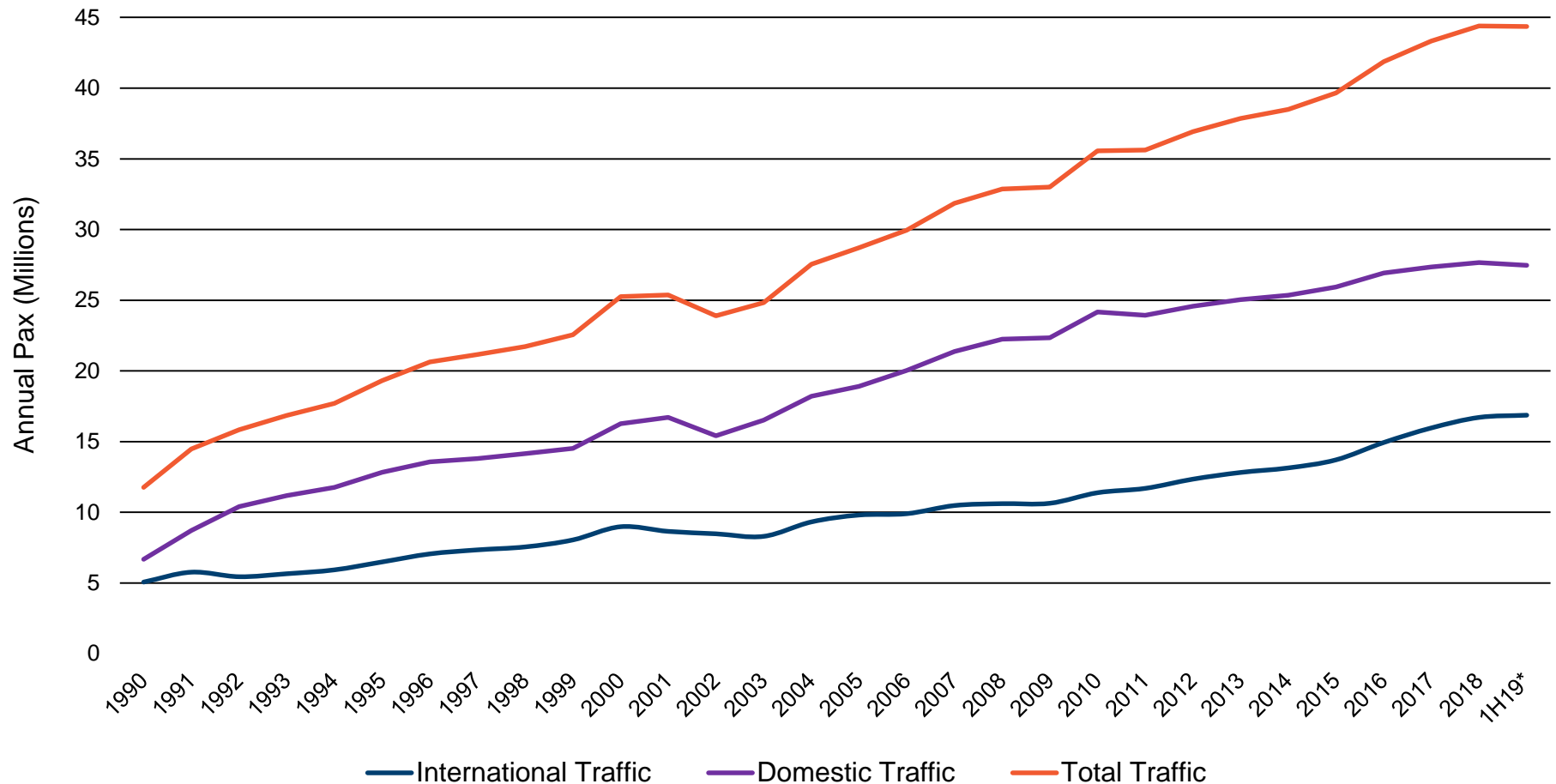




# Appendix

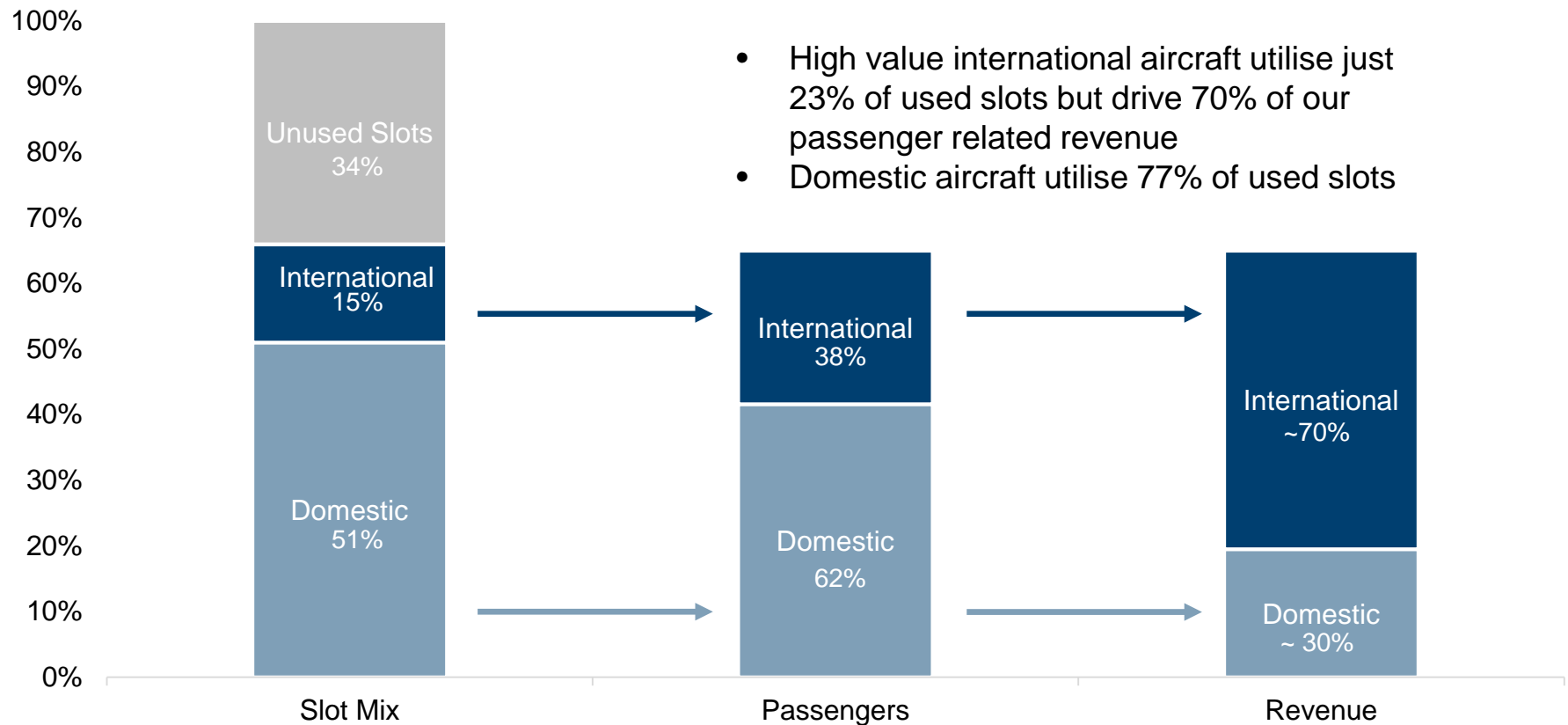
# Long Term Traffic Growth

Growth through all economic cycles across the long term



# Passenger Mix and Capacity

## 1H19 Slot Usage and Revenue Generation





# Investment Merits

## Sydney Airport is one of the world's highest quality airport investments

<b>99 year leasehold</b>	<ul style="list-style-type: none"> <li>Lease until 2097</li> </ul>
<b>Catchment area</b>	<ul style="list-style-type: none"> <li>7.5m Sydney and NSW catchment populations</li> </ul>
<b>Strong passenger growth profile</b>	<ul style="list-style-type: none"> <li>Sydney is both a business and tourism hub, in a growing NSW economy</li> <li>Strong visiting friends and relatives, education and tourism markets</li> <li>Strong Asian connections – increasing urbanisation</li> </ul>
<b>International passengers</b>	<ul style="list-style-type: none"> <li>Account for ~70% of passenger driven revenues</li> <li>Represents 15% of available slots and 23% of used slots</li> </ul>
<b>Commercial opportunities</b>	<ul style="list-style-type: none"> <li>Substantial growth opportunities</li> <li>Minimum guarantees offer downside protections</li> <li>Strict hurdle rates of return apply to all investment</li> </ul>
<b>Negotiating framework</b>	<ul style="list-style-type: none"> <li>Commercially negotiated charges with all airlines include investment, price and service levels</li> </ul>
<b>Outsourced model</b>	<ul style="list-style-type: none"> <li>Controllable operating costs with contracted escalations</li> </ul>
<b>Consistent growth and downside protections</b>	<ul style="list-style-type: none"> <li>Long term contracts with airlines and tenants</li> <li>CPI or higher escalation on commercial revenues</li> <li>Growth initiatives across all businesses</li> </ul>
<b>Strong sustainability metrics</b>	<ul style="list-style-type: none"> <li>Ranked 3<sup>rd</sup> globally within Sustainalytics' airports sub-industry sector</li> <li>'AAA' rated by MSCI. Top 9% of companies globally within the infrastructure sector</li> <li>Ranked 7<sup>th</sup> globally and as a 'Sustainability Leader' in the transport infrastructure sector by Dow Jones Sustainability Index</li> </ul>



Thank You