



Market Release | 2 May 2023

Auckland Airport considers retail bond offer

Auckland International Airport Limited (“**Auckland Airport**”) is considering an offer of fixed rate bonds maturing in November 2028 to New Zealand retail investors and to institutional investors.

Any such offer will be made pursuant to the Financial Markets Conduct Act 2013 as an offer of debt securities of the same class as Auckland Airport’s existing quoted debt securities. The bonds are expected to be quoted on the NZX Debt Market. It is expected that full details of the bond issue will be released the week of 8 May 2023.

Auckland Airport has appointed BNZ and Westpac as Joint Lead Managers.

Investors can register their interest with the Joint Lead Managers (details below) or a financial adviser. Indications of interest will not involve an obligation or commitment of any kind. No money is currently being sought and no bonds can be applied for or acquired until the offer opens and the investor has received a copy of the offer document in relation to the bonds.

A copy of a market update presentation to be made by Auckland Airport is **attached**.

Ends

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Bank of New Zealand (BNZ)
0800 275 269

Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch) (Westpac)
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Auckland Airport

Update for debt investors

May 2023



Important Notice

Debt investor update

Disclaimer

This presentation is for preliminary information purposes only, does not constitute a recommendation by Auckland International Airport Limited (Auckland Airport), Bank of New Zealand (Joint Lead Manager), Westpac Banking Corporation (Joint Lead Manager) or The New Zealand Guardian Trust Company Limited, nor any of their respective directors, employees or agents to subscribe for, or purchase, any of securities and no part of this presentation shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. The information in this presentation is given in good faith and has been obtained from sources believed to be reliable and accurate at the date of preparation, but its accuracy, correctness and completeness cannot be guaranteed. No money is currently being sought and no bonds can be applied for or acquired until the offer opens and the investor has received a copy of the offer documents in relation to the bonds. If Auckland Airport offers the bonds, the offer will be made in accordance with the Financial Markets Conduct Act 2013 (FMCA) as an offer of debt securities of the same class as existing quoted debt securities.

All of the data provided in this presentation is derived from publicly available information in relation to Auckland Airport (including the annual report of Auckland Airport for its financial year ended 30 June 2022 and the interim results presentation of Auckland Airport for its half year ended 31 December 2022), unless otherwise indicated. Any internet site addresses provided in this presentation are for reference only and, except as expressly stated otherwise, the content of any such internet site is not incorporated by reference into, and does not form part of, this presentation.

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All currency amounts are in New Zealand dollars unless otherwise stated and figures, including percentage movements, are subject to rounding.

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This presentation is dated 2 May 2023.

Agenda

1. Company overview
2. Our continuing journey
3. Financial information

Appendices



Company overview



Auckland Airport, a gateway to New Zealand...

Auckland Airport is the largest and busiest airport in New Zealand with an extensive domestic aeronautical network, connecting Kiwis from Kaitiaki to Invercargill

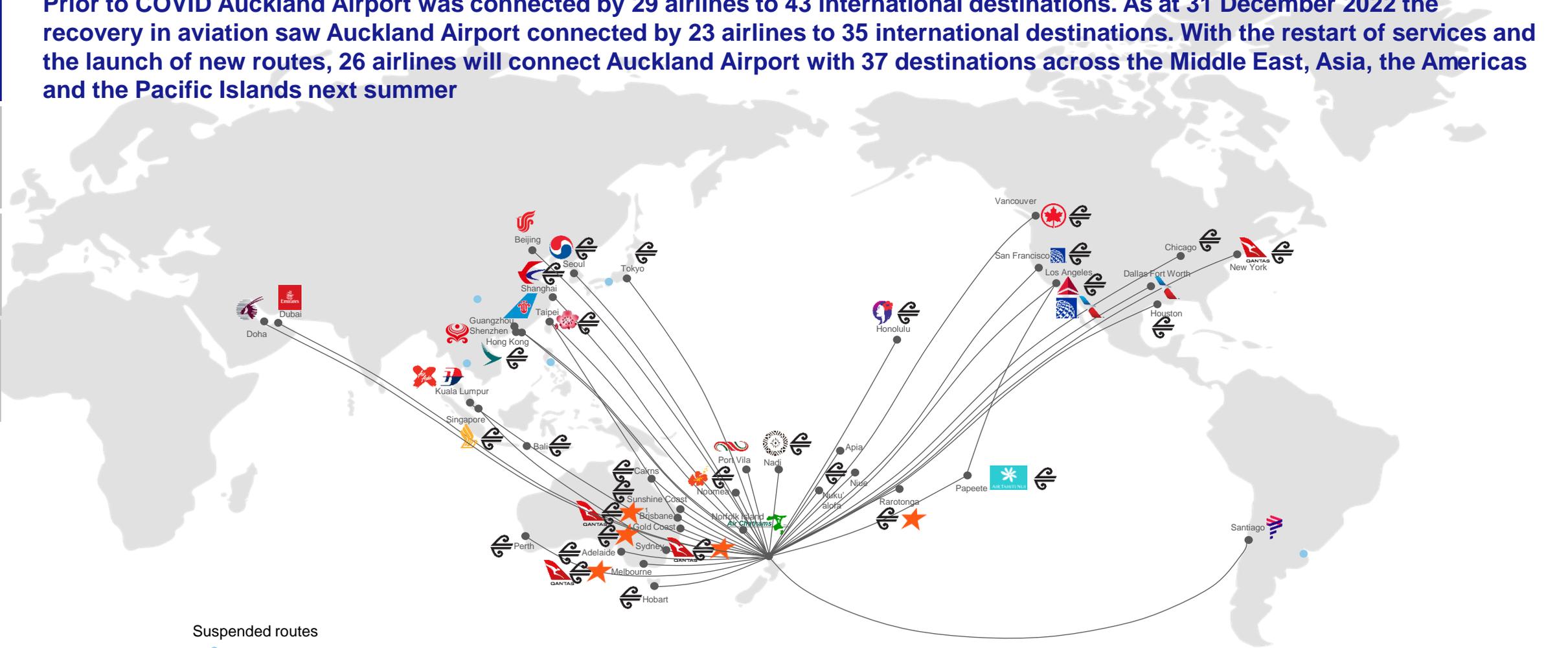


- New Zealand's largest commercial airport serving the country's largest city
- Auckland Airport has an extensive domestic network serving 23 destinations
- Significant market share with 2/3rds of all domestic sectors either originating or ending in Auckland¹
- Processed 9.6 million domestic passengers in the year to 30 June 2019 and 6.9 million in the year to 31 December 2022
- Hub to Air New Zealand, the country's main domestic carrier
- Located on 1,500 hectares of freehold land 26km from Auckland's central business district
- No flight curfew, capable of operating 24 hours a day, 7 days a week from a single 3,635m runway
- Provision for a second runway in the future will cater for Auckland's aviation requirements for the foreseeable future

Reconnecting New Zealand to the world

Prior to COVID Auckland Airport was connected by 29 airlines to 43 international destinations. As at 31 December 2022 the recovery in aviation saw Auckland Airport connected by 23 airlines to 35 international destinations. With the restart of services and the launch of new routes, 26 airlines will connect Auckland Airport with 37 destinations across the Middle East, Asia, the Americas and the Pacific Islands next summer

- Company Overview
- Our continuing journey
- Financial Information
- Appendices

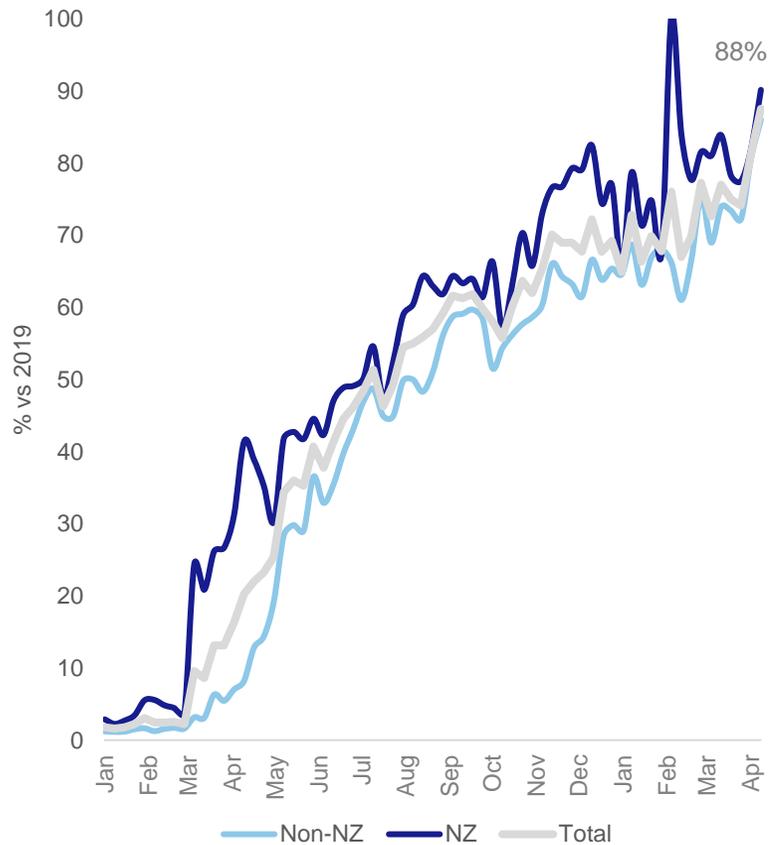


- Suspended routes
- Suspended airlines
-

Broad-based recovery driven from PAX mix

The recovery in aviation markets is strengthening as Kiwi outbound travellers are joined by increasing numbers of international visitors. Diverse reasons for travel and strong load factors are further supporting industry confidence

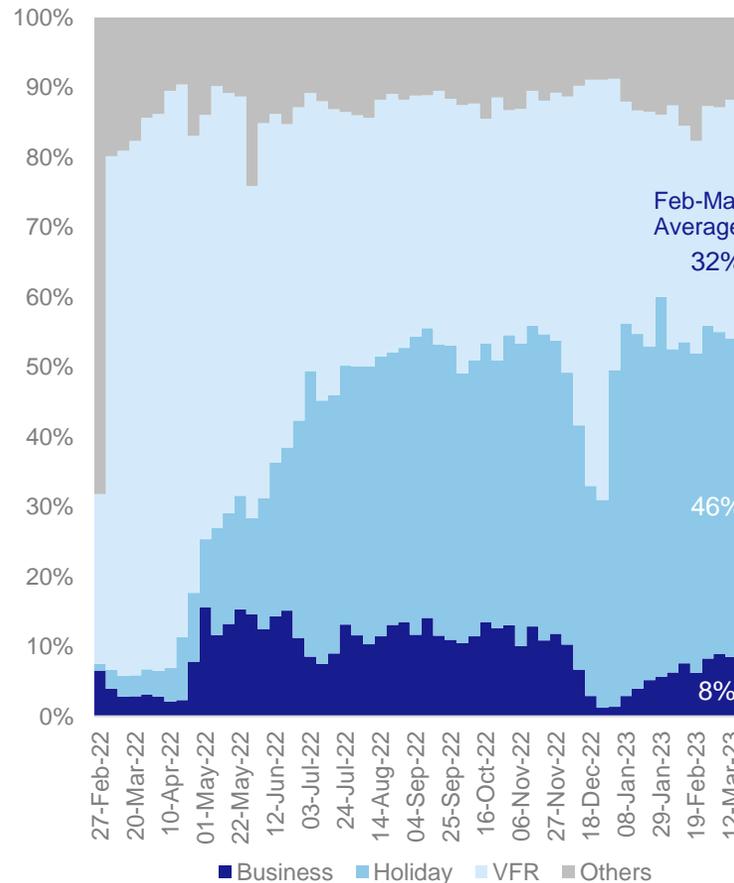
Recovery in New Zealand arrivals versus 2019



Source: Ministry of Business, Innovation & Employment

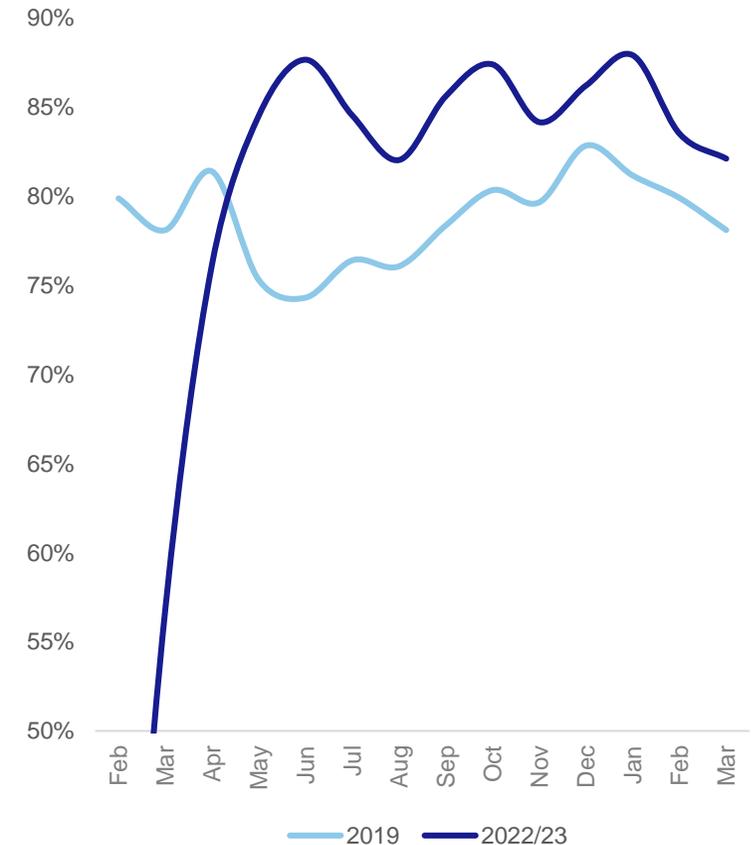


Weekly visitor arrivals' purpose of travel



Source: Ministry of Business, Innovation & Employment

International passenger load factors at Auckland

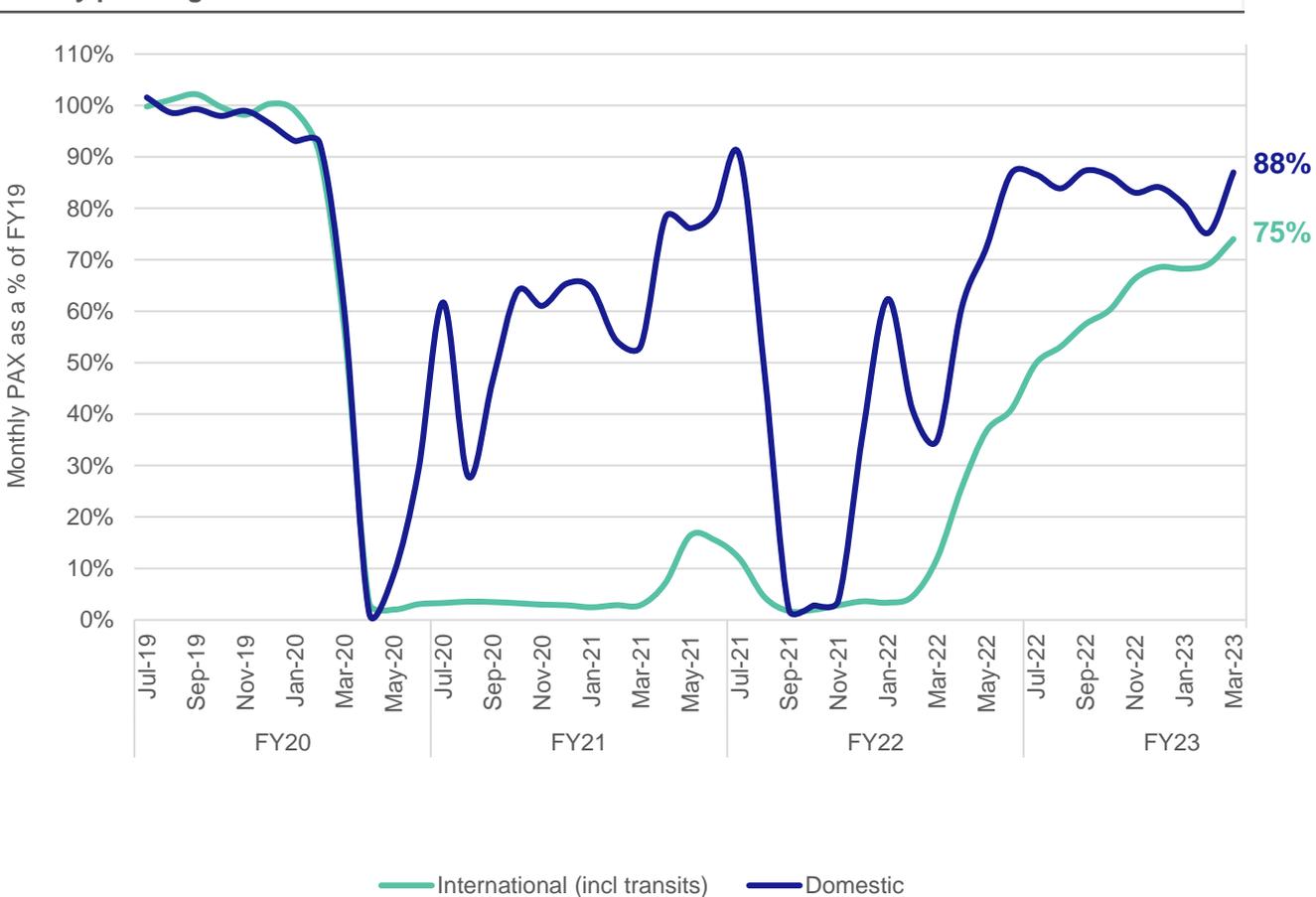


Passenger numbers recovering

No domestic and international travel restrictions for most of 1H23 enabled further recovery of international PAX in the six months to 31 December 2022. Total passenger numbers are expected to be back to pre-pandemic levels during 2025

- Domestic passenger volumes quickly recovered, but stabilised below pre-COVID-19 levels in 1H23 reflecting lower capacity deployed from domestic operators
- International air travel has continued to strengthen in the period as connectivity has improved, connecting New Zealand to more global destinations, and the addition of further capacity to existing routes
- International air travel demand is now stronger than at any time since COVID-19 first closed our border and is expected to progressively recover further as additional capacity is deployed

Monthly passenger numbers



The recovery is not without its challenges

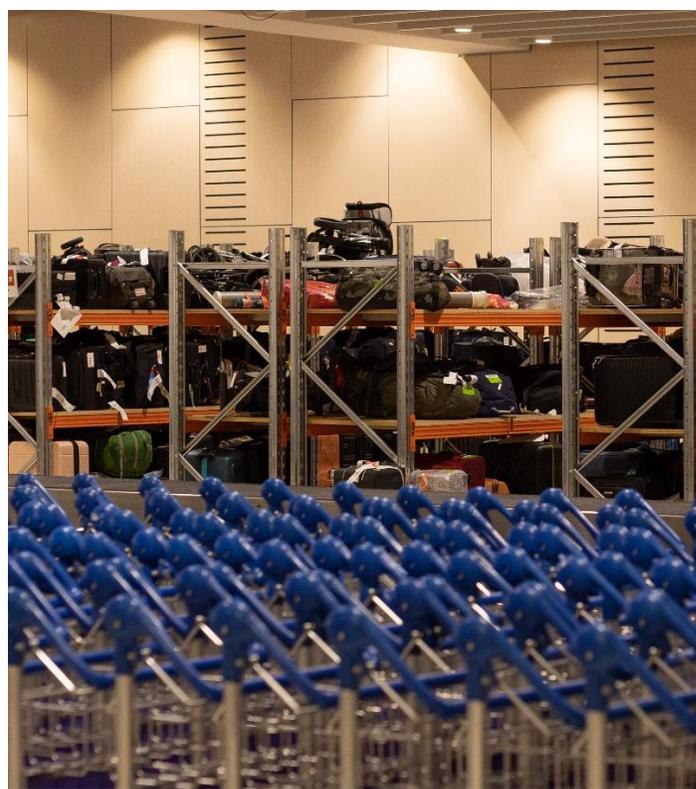
From labour shortages, poor on-time performance, lost baggage and cost inflation to high ticket prices, a number of factors are presenting as challenges to the recovery in the aviation system

Worker shortages



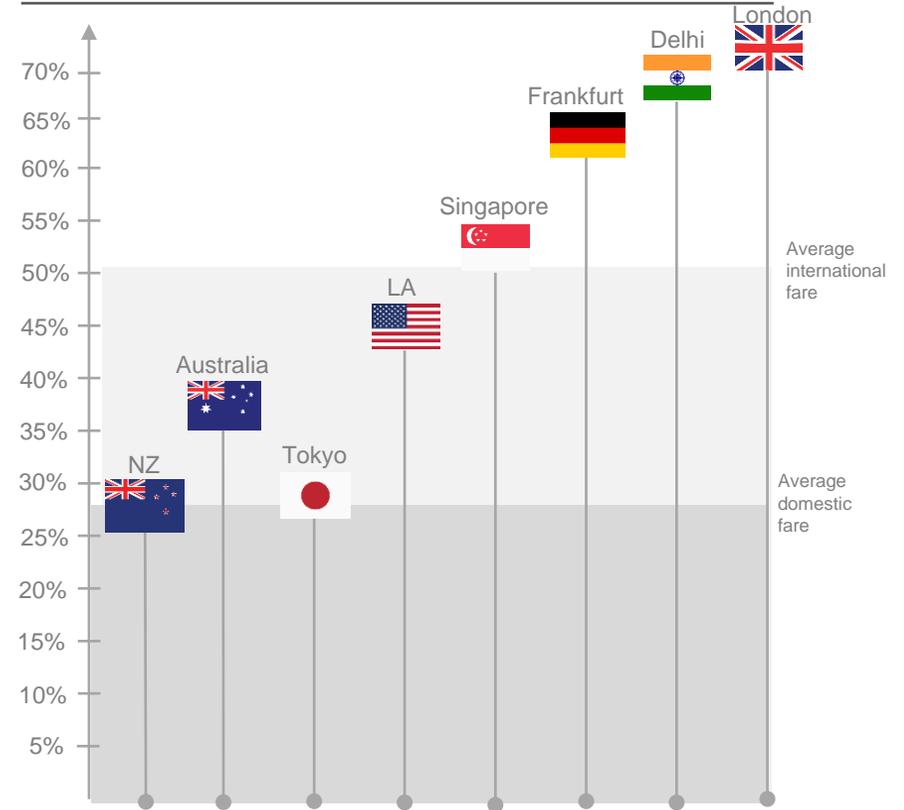
Queues at the outbound international departure hall

Displaced baggage



Displaced baggage in the arrivals hall

Elevated ticket prices from Auckland



Average Auckland international fares are forecast to be 51% higher than their pre-COVID-19 equivalent and domestic 27% higher¹

Results at a glance

Revenue

\$287.8m

▲ 128% on 1H22
(78% of 1H19)

Reported profit after tax

\$4.8m

▼ 96% on 1H22
(3% of 1H19)

1H23 earnings per share of 0.33cps

Passenger movements

7.6m

▲ 341% on 1H22
(71% of 1H19)

Operating Cashflow

\$140.3m

▲ 374% on 1H22
(90% of 1H19)

EBITDAFI¹

\$189.0m

▲ 213% on 1H22
(68% of 1H19)

1H23 EBITDAFI margin of 65.7%

Underlying profit after tax

\$67.9m

▲ 690% on 1H22
(50% of 1H19)

1H23 underlying profit per share of 4.62cps

Aircraft movements

69,936

▲ 117% on 1H22
(77% of 1H19)

Capital investment²

\$261.6m

▲ 124% on 1H22
(198% of 1H19)

1. Auckland Airport recognises EBITDAFI and underlying profit or loss are non-GAAP measures. A reconciliation between reported profit after tax and underlying loss after tax is included in the appendix

2. Net capital expenditure additions after \$0.1m of capital expenditure impairments

Credit highlights

Key gateway to New Zealand



Significant freehold asset base



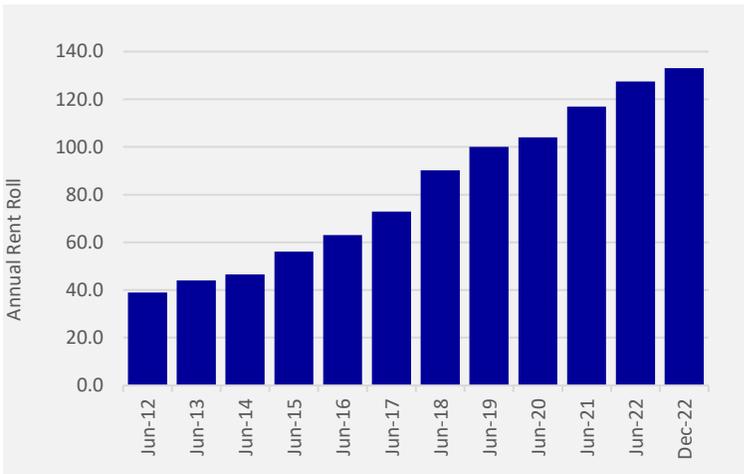
Benefiting from the recovery post COVID-19



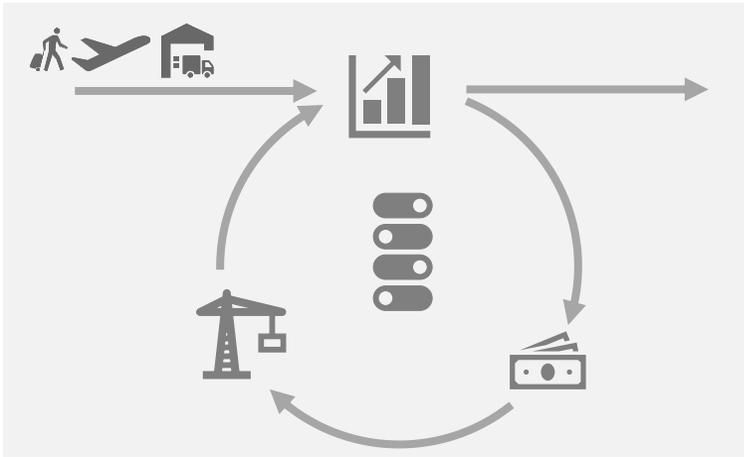
Investment grade credit rating



Significant commercial property portfolio



Proactive capital management



Our continuing journey



Our continuing journey

Diverse and complementary business activities

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Aeronautical



Retail



Transport



Investment Property



Hotels



Queenstown Airport



Five key projects underway whilst three remain on hold



Significant progress towards terminal integration

Substantial enabling work continues on the design of an integrated terminal that is planned to be tightly integrated with the existing international terminal building

- Construction on key enabling work projects well underway including:
 - the relocation of the airport operations centre to a new purpose-built facility that enables closer collaboration between airport stakeholders;
 - construction of the new Eastern Bag Hall including provision of increased capacity; and
 - relocation of eastern airfield operations including livestock, ULDs, airside waste disposal facility and Checkpoint Charlie
- In March 2023 Auckland Airport announced its commitment to terminal integration with the project moving to the final stages of design as part of a circa \$3.9b construction programme
- Construction of the \$2.2b integrated terminal is expected to take place over the next five to six years.



Artist impression of the new Transport Hub



Future Mass
Transit

Transport Hub

Driving the recovery in our consumer business



Exciting fashion outlet centre under construction



 100+ stores
 23,000+

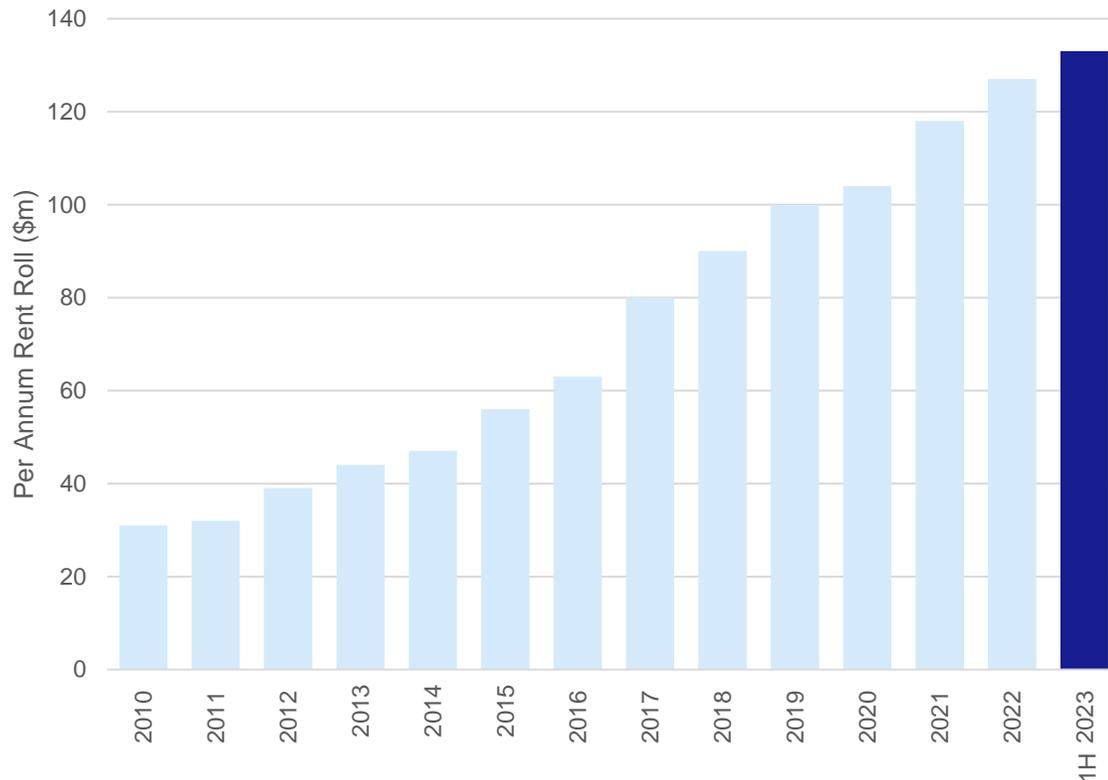


Illustrative only, actual layout will vary

Commercial property remains well positioned

Auckland Airport's commercial property portfolio has grown rapidly in recent years, leveraging an exceptional track record of design and delivery, and the precinct's high quality, high covenant tenancy characteristics. Despite the disruption of COVID, these characteristics continue to resonate with existing and prospective tenants resulting in a strong forward order book.

Commercial property rental income



Current development activity



Sustainability is central to who we are

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Purpose Kaupapa

85%

Customers rate their overall experience as 'excellent' or 'very good' by 2030

100%

Of procurement activity is aligned with sustainable procurement guidelines ISO20400 by 2030

TSR

Rolling 3 year total shareholder return exceeds cost of equity by 1%

Place Kaitiakitanga

Net Zero

90% reduction in scope 1 and 2 carbon emissions by 2030 from a 2019 baseline

20%

Reduction in potable water use by 2030 from 2019 levels

20%

Reduction in waste to landfill by 2030 from 2019 levels

People Whānau

40 | 40 | 20

Gender balance across Auckland Airport's Board, Leadership Team and its direct report populations by 2025

20%

Of people leaders of Māori / Pasifika ethnicity by 2025

Ethnicity

Workforce reflective of the ethnicity of New Zealand by 2030

Community Hapori

40%

Of employees participating in community volunteer programme by 2030

Apprenticeship

Create a pathway for women, Māori and Pasifika into trades with

30%

of total trade staff sourced from a targeted apprenticeship scheme by 2030

Re-energising the airport with solar



Artist's illustration

Auckland Airport is looking skywards as we take our first steps to generate onsite renewable energy, with plans for rooftop solar systems atop two of our newest buildings

- A 2.3-megawatt solar array is planned for Mānawa Bay to support more than 80 per cent of the centre's anticipated power usage when it opens in 2024
- Expected to be the largest rooftop solar system in New Zealand
- A solar array of 1.2 megawatts will be installed on the 14,000m² roof of the Transport Hub opposite the International Terminal
- Output will power the attached office building and electric vehicle charging stations within its car park

Continuing on our decarbonisation pathway



Reducing Auckland Airport's carbon footprint through the use of electric heat pumps for heating in terminal buildings

- Auckland Airport is taking our first steps away from fossil-fuelled heating with the installation of the company's first electric heat pump in Pier B of the International Terminal
- The heat pump is expected to save 30 tonnes of carbon per annum
- The new heat pump can heat and cool simultaneously across multiple zones, saving overall energy use
- Once all heat pumps have been installed, this will save 1,500 tonnes of carbon per annum

Financial information



Return to underlying profit

For the year ended 30 June (1H23 6 months to 31 December 2022) \$m	1H23	2022	Restated 2021 ³	2020	2019
Revenue	287.8	300.3	281.1	567.0	743.4
Expenses ¹	98.8	155.8	110.0	306.6	188.6
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	189.0	144.5	171.1	260.4	554.8
<i>EBITDAFI Margin</i>	66%	48%	61%	46%	75%
Share of profit / (loss) from associates	3.0	(12.8)	21.1	8.4	8.2
Impairment on investment in JV	-	-	-	(7.7)	-
Derivative fair value movement	(0.3)	1.7	(0.5)	(1.9)	(0.6)
Property, plant and equipment revaluation	-	(1.4)	(7.5)	(45.9)	(3.8)
Investment property revaluation	(93.8)	204.4	527.3	168.6	254.0
Depreciation expense	68.7	113.1	120.9	112.7	102.2
Interest expense	30.7	53.7	94.0	71.8	78.5
Taxation expense	(6.3)	(22.0)	30.0	3.5	108.4
Reported profit after tax	4.8	191.6	466.6	193.9	523.5
Underlying profit/(loss) after tax²	67.9	(11.6)	(39.4)	188.5	274.7

1. 2020 includes capital expenditure write-offs, impairments and contractor termination costs of \$117.5 million, redundancy costs of \$5.9 million and credit losses of \$7.3 million in 2020. 2021 includes a net reversal of \$16.9 million of fixed asset impairment and termination costs and a \$4.2 million reversal of expected credit losses

2. A reconciliation between profit after tax and underlying profit after tax for 1H23 is included in the Appendix. Reconciliations for years ended 2019 – 2022 are available in the Annual Results report

3. The 2021 comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2 of the Financial Statements to the Annual Results for the year ended 30 June 2022

Higher PAX numbers driving improved performance

For the year ended 30 June (1H23 6 months to 31 December 2022) \$m	1H23	2022	2021	2020	2019
Airfield income	40.9	60.9	64.0	100.6	127.6
Passenger services charge	60.6	33.8	24.2	133.0	185.1
Retail income	59.4	22.7	17.8	141.5	225.8
Car park income	27.5	26.2	28.7	50.3	64.2
Rental income	78.8	129.7	115.2	109.2	107.8
Other income	20.6	27.0	31.2	32.4	32.9
Total revenue	287.8	300.3	281.1	567.0	743.4

- Aeronautical income rose significantly in the period as the recovery in aviation flowed through to higher airfield and passenger revenues. Auckland Airport provided a total of \$3.7 million of incentives to airlines in the period to stimulate connectivity, the majority via discounts in landing charges
- With the removal of the remaining travel restrictions occurring in the six months to 31 December 2022, income from passenger charges rose significantly as the number of higher-paying international passengers increased
- With travellers returning, the reopening of retail stores in the international terminal drove a significant increase in retail income. As a result of a high proportion of the stores open for peak periods of the day during the summer holiday season, passengers showed a willingness to spend with retail income per passenger rising to 74% of the pre-pandemic equivalent
- Carparking income increased significantly on the prior period also as the combined effects of strong propensity to park, no domestic lockdowns in the year and the reopening of all parking products for the period drove revenues
- Property rental income increased by 19% on the prior period driven by rental growth in the existing portfolio, new leases, and a part-period contribution from new developments

Balance sheet remains strong

As at 30 June \$m	Dec-2022	2022	Restated 2021 ¹	2020	2019
Cash	62.8	24.7	79.5	765.3	37.3
Trade and other receivables	58.7	28.5	25.4	34.7	69.0
Other current assets	21.7	21.6	20.9	37.0	-
Current assets	143.2	74.8	125.8	837.0	106.3
Property, plant and equipment	7,130.3	6,986.1	6,826.5	6,060.8	6,577.1
Investment properties	2,848.4	2,897.4	2,641.4	2,054.2	1,745.4
Investment in associates	175.3	166.5	154.4	114.7	105.7
Derivative financial instruments	50.3	28.1	29.2	230.4	162.6
Total assets	10,347.5	10,152.9	9,777.3	9,297.2	8,697.1
Borrowings	1,611.1	1,476.6	1,392.8	2,145.2	2,190.5
Other liabilities	562.7	525.4	455.0	514.9	473.7
Total liabilities	2,173.8	2,002.0	1,847.8	2,660.1	2,664.2
Equity	8,173.7	8,150.9	7,929.5	6,637.1	6,032.9
Total liabilities and equity	10,347.5	10,152.9	9,777.3	9,297.2	8,697.1

1. The 2021 comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2 of the Financial Statements to the Annual Results for the year ended 30 June 2022

Strong liquidity position with improved credit metrics

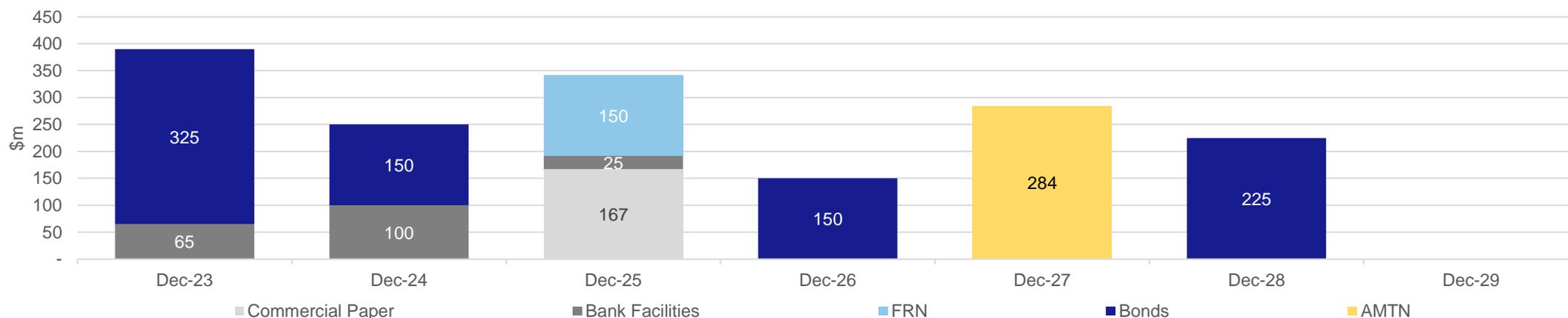
Liquidity of \$1,076 million to support the business

- Total drawn debt of \$1,611 million at 31 December 2022, an increase of 9% or \$134 million on June 2022
- Committed undrawn bank facility headroom of circa \$1,013 million (Jun-22: \$955 million), and \$63 million in available cash (Jun-22: \$25 million)
- Raised \$375 million of new borrowings through two NZDCM issues in the period: a \$150 million wholesale floating rate note and a \$225 million listed fixed rate bond
- Stronger financial metrics support the return to a 'business as usual' position with our banking syndicate
- A- credit rating maintained

Key credit metrics

	Test	Dec-22	Jun-22
Gearing covenant ¹	≤ 60%	17.0%	15.6%
Interest coverage covenant ²	≥ 1.5x	4.99x	2.58x
Debt to enterprise value		12.3%	12.3%
Net debt to enterprise value		11.9%	12.1%
Funds from operations interest cover ³	≥ 2.5x	4.2x	2.6x
Funds from operations to net debt ³	≥ 11.0%	14.0%	6.5%
Weighted average interest cost		4.77%	4.32%
Average debt maturity profile (years)		2.96	2.29
Percentage of fixed borrowings		64.9%	71.5%

Drawn debt maturity profile for the 12 months ending



1. Gearing defined as nominal value of debt plus derivative liabilities divided by nominal value of debt plus derivative liabilities plus the book value of equity
2. Interest coverage defined as reported NPAT plus taxation, interest expense, depreciation, revaluations and derivative changes (broadly EBITDA) divided by interest
3. Test is S&P's A- rating threshold for Auckland Airport. The metrics provided for June 2022 are per S&P's October 2022 report and December 2022 are Auckland Airport estimates.

Economic Regulation

Airline consultation on PSE4 aeronautical prices due to complete by June 2023 with price changes effective from 1 July 2023. Separately, the revision of the Civil Aviation Bill now been passed into law retaining the ability for airports to set aeronautical prices

Aeronautical pricing

- Prices for FY23-27 (PSE4) will be determined following airline consultation over the remainder of the financial year considering the “building block” forecasts:
 - commissioning of aeronautical infrastructure projects;
 - operational expenditure;
 - recovery in passengers and aircraft movements; and
 - weighted average cost of capital / target return
- Charges for FY23 have been held constant at FY22 prices while this consultation is undertaken¹. A decision on aeronautical prices for FY24 through FY27 is scheduled to be made by June 2023 with changes to take effect from 1 July 2023
- Aeronautical prices for PSE4 will be set to achieve a full target return over the five years, including making up the FY23 shortfall
- Commerce Commission currently reviewing the “Input Methodologies” – i.e., the rules and processes that underpin regulatory information disclosures including the Commission’s WACC determination for monitoring purposes. This review is due to be completed no later than December 2023

Other regulation:

- Separately, the Civil Aviation Bill has now been passed into law retaining the ability for airports to set aeronautical prices



View of Auckland Airport's runway

Outlook

- As we look to the remainder of the 2023 financial year, we continue to see positive signs in the recovery of the aviation industry
- Increased connectivity, combined with the reopening of Auckland Airport's commercial operations, is supporting earnings for the remainder of the financial year
- As a result, we have raised our underlying earnings guidance for the 2023 financial year to between \$125 million and \$145 million
- In addition, Auckland Airport revises capital expenditure¹ guidance for the 2023 financial year to between \$525 million and \$600 million
- This guidance is subject to any material adverse events, significant one-off expenses, non-cash fair value changes to property and any deterioration due to global market conditions or other unforeseeable circumstances



Building a better future...

Re-establishing our aeronautical network and supporting the recovery in travel



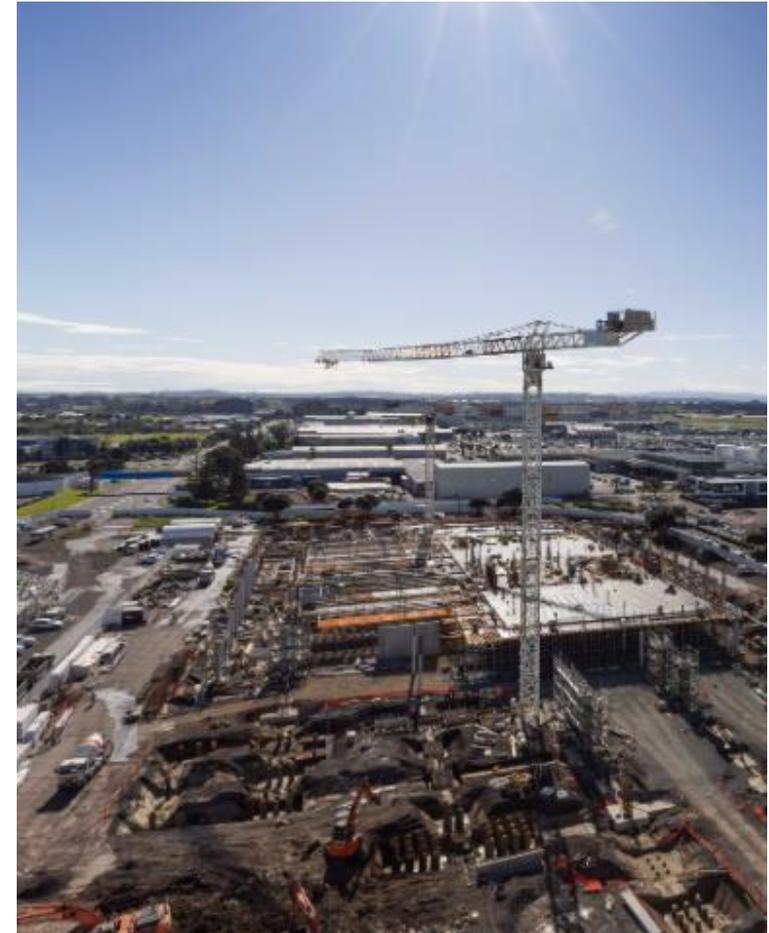
Delta Airlines announced a daily Auckland-Los Angeles service commencing October 2023

Driving the recovery in our commercial business



Reopening of Aelia Duty Free in October 2022

Continued disciplined approach to investment in infrastructure and commercial opportunities



Construction of the Transport Hub

Thank you



Appendices



Appendix: Board of directors

Company Overview

Our continuing journey

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Appendices



Dr Patrick Strange
Chair



Tania Simpson
Director



Dean Hamilton
Director



Christine Spring
Director



Julia Hoare
Director



Mark Binns
Director



Liz Savage
Director



Mark Cairns
Director

Appendix: Management team



Carrie Hurihanganui
Chief Executive



Melanie Dooney
Chief Corporate
Services Officer



To be appointed
Chief Digital Officer



André Lovatt
Chief Infrastructure
Officer



Phil Neutze
Chief Financial Officer



Chloe SurrIDGE
Chief Operations Officer



Scott Tasker
Chief Customer Officer



Mark Thomson
Chief Commercial Officer



Mary-Liz Tuck
Chief Sustainability & Master
Planning Officer

Appendix: Underlying profit reconciliation

For the six months ended 31 December (\$m)	2022			2021		
	Reported profit	Adjustments	Underlying profit / (loss)	Reported profit	Adjustments	Underlying profit / (loss)
EBITDAFI per income statement	189.0	-	189.0	60.3	-	60.3
Investment property fair value change	(93.8)	93.8	-	131.5	(131.5)	-
Fixed asset write-offs and impairment	-	0.1	0.1	-	0.1	0.1
Derivative fair value movement	(0.3)	0.3	-	(0.6)	0.6	-
Share of profit / (loss) of associate and joint ventures	3.0	0.0	3.0	(17.4)	19.8	2.4
Depreciation	(68.7)	-	(68.7)	(53.7)	-	(53.7)
Interest expense and other finance costs	(30.7)	-	(30.7)	(26.8)	-	(26.8)
Taxation benefit / (expense)	6.3	(31.1)	(24.8)	15.5	(9.3)	6.2
Profit / (loss) after tax	4.8	63.1	67.9	108.8	(120.3)	(11.5)

- Auckland Airport recognises EBITDAFI and underlying profit or loss are non-GAAP measures.
- We have made the following adjustments to show underlying profit / (loss) after tax for the six months ended 31 December 2022 and 2021:
 - reversed out the impact of revaluations of investment property. An investor should monitor changes in investment property over time as a measure of growing value. However, a change in one particular year is too short to measure long-term performance. Changes between years can be volatile and, consequently, will impact comparisons. Finally, the revaluation is unrealised and, therefore, is not considered when determining dividends in accordance with the dividend policy;
 - reversed out the impact of fixed asset write-offs. Related costs and cost reversals are not considered to be an element of the group's normal business activities and on this basis have been excluded from underlying profit;
 - reversed out the impact of derivative fair value movements. Derivative fair value movements are unrealised and relate to basis swaps that do not qualify for hedge accounting, as well as the ineffective valuation movements in other financial derivatives. The group holds its derivatives to maturity, so any fair value movements are expected to reverse out over their remaining lives;
 - adjusted the share of profit of associates and joint ventures to reverse out the impacts on those profits from revaluations of investment property and financial derivatives; and
 - reversed out the taxation impacts of the above movements in both six-month periods.
- The underlying profit / (loss) reconciliation for years ended 30 June 2022 and prior are provided in the relevant annual results for that year.

Glossary

Debt investor update

Auckland Airport

COVID

EBITDA

EBITDAFI

JV

NPAT

PAX

TSR

VFR

Auckland International Airport Limited

COVID-19

Earnings before interest, taxation and depreciation

Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates

Joint venture

Net profit after tax

Passenger

Total shareholder return

Visiting friends and relatives