

Market Release | 29 June 2023

2023 Rapid Insights Queenstown Conference Presentation

Auckland Airport's Head of Strategy, Planning and Performance, will be presenting at the Wilsons and Craigs Investment Partners Rapid Insights Queenstown conference today.

Please refer to the attached copy of the presentation that will be made to Rapid Insights today.

ENDS

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Overview of

Auckland Airport

2023 CIP & Wilsons Rapid Insights Conference



29 June 2023

Prepared by:
Strategy, Planning & Performance

Important notice

2023 CIP and Wilsons Rapid Insights Conference

Disclaimer

This presentation is given on behalf of Auckland International Airport Limited (NZX: AIA; ASX: AIA; ADR: AUKNY). Information in this presentation:

- is provided for general information purposes only, and is not an offer or invitation for subscription, purchase, or recommendation of securities in Auckland International Airport Limited (Auckland Airport);
- should be read in conjunction with, and is subject to, Auckland Airport's unaudited Interim Financial Statements for the six months ended 31 December 2022, prior annual and interim reports, and Auckland Airport's market releases on the NZX and ASX;
- may include forward-looking statements about Auckland Airport and the environment in which it operates which are subject to uncertainties and contingencies outside of Auckland Airport's control. Auckland Airport's actual results or performance may differ materially from these statements;
- includes statements relating to past performance, which should not be regarded as a reliable indicator of future performance; and
- may contain information from third parties believed to be reliable; however, no representations or warranties are made as to the accuracy or completeness of such information.

All information in this presentation is current at the date of this presentation, unless otherwise stated. Auckland Airport is not under any obligation to update this presentation at any time after its release, whether as a result of new information, future events, or otherwise.

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

Non-GAAP measures

This presentation contains references to non-GAAP measures including EBITDAFI, EBITDA and underlying profit or loss. A reconciliation between reported profit after tax and the non-GAAP measure of underlying profit or loss is included in the Appendix as well as the published materials for the respective interim and annual results.

The directors and management of Auckland Airport understand the importance of reported profits meeting accounting standards. Because we comply with accounting standards, investors know that comparisons can be made with confidence between different companies and that there is integrity in our reporting approach. However, we believe that an underlying profit or loss measurement can also assist investors to understand what is happening in a business such as Auckland Airport, where revaluation changes can distort financial results or where one-off transactions, both positive and negative, can make it difficult to compare profits between years.

For several years, Auckland Airport has referred to underlying profit or loss alongside reported results. We do so when we report our results, but also when we give our market guidance (where we exclude fair value changes and other one-off items) or when we consider dividends and our policy to pay 70% to 90% of underlying net profit after tax (excluding unrealised gains and losses arising from revaluation of property or treasury instruments and other one-off items).

In referring to underlying profits or losses, we acknowledge our obligation to show investors how we have derived this result.

Auckland Airport, unrivalled domestic connectivity

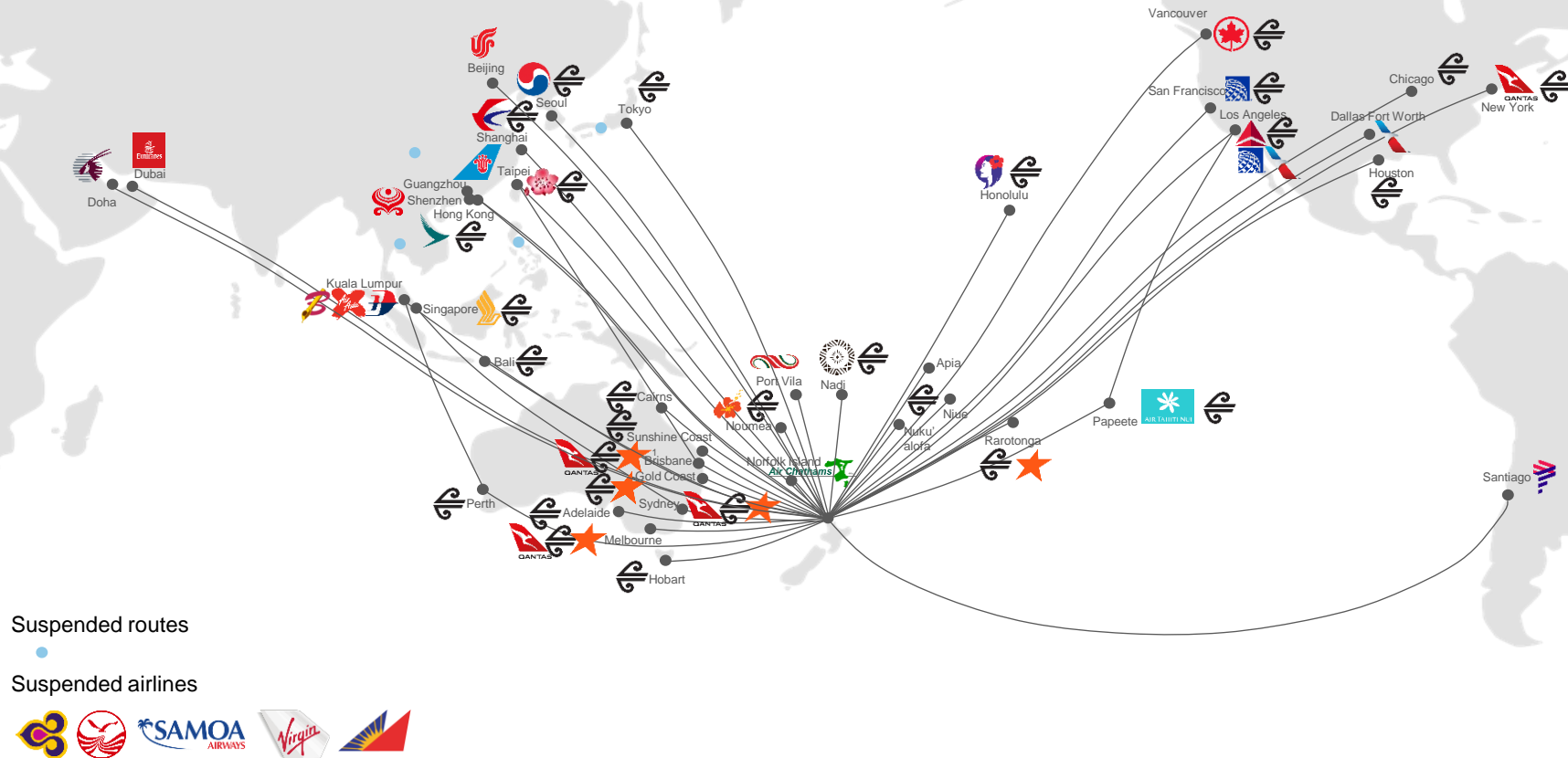
Auckland Airport is the largest and busiest airport in New Zealand with an extensive domestic aeronautical network, connecting with Kiwis from Kaitiaki to Invercargill



- 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 flights 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 commercial aviation requirements for the foreseeable future

...and connecting New Zealand to the world

Pre-COVID Auckland Airport connected 29 airlines to 43 international destinations. Next summer, Auckland expects it will connect 27 airlines to 37 international destinations



Overview of Auckland Airport

Diverse and complementary business activities

Aeronautical



Retail



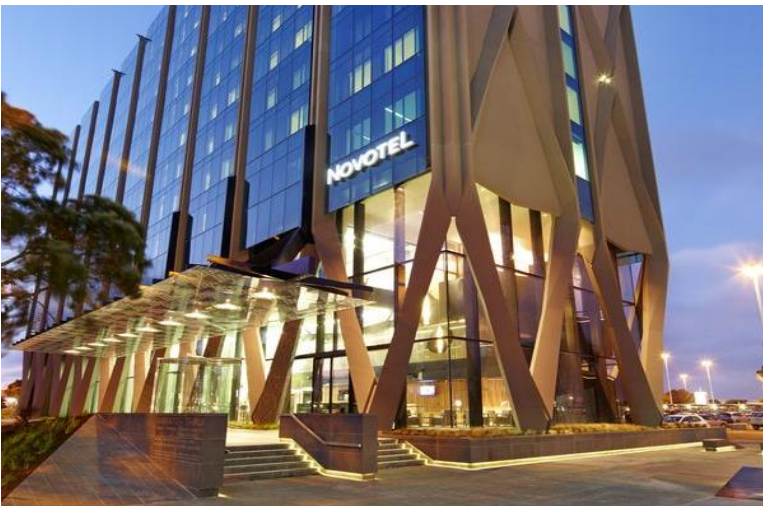
Transport



Investment Property



Hotels



Queenstown Airport



Quality retail precinct



Extensive transport business...



...with a range of products currently on offer and in development

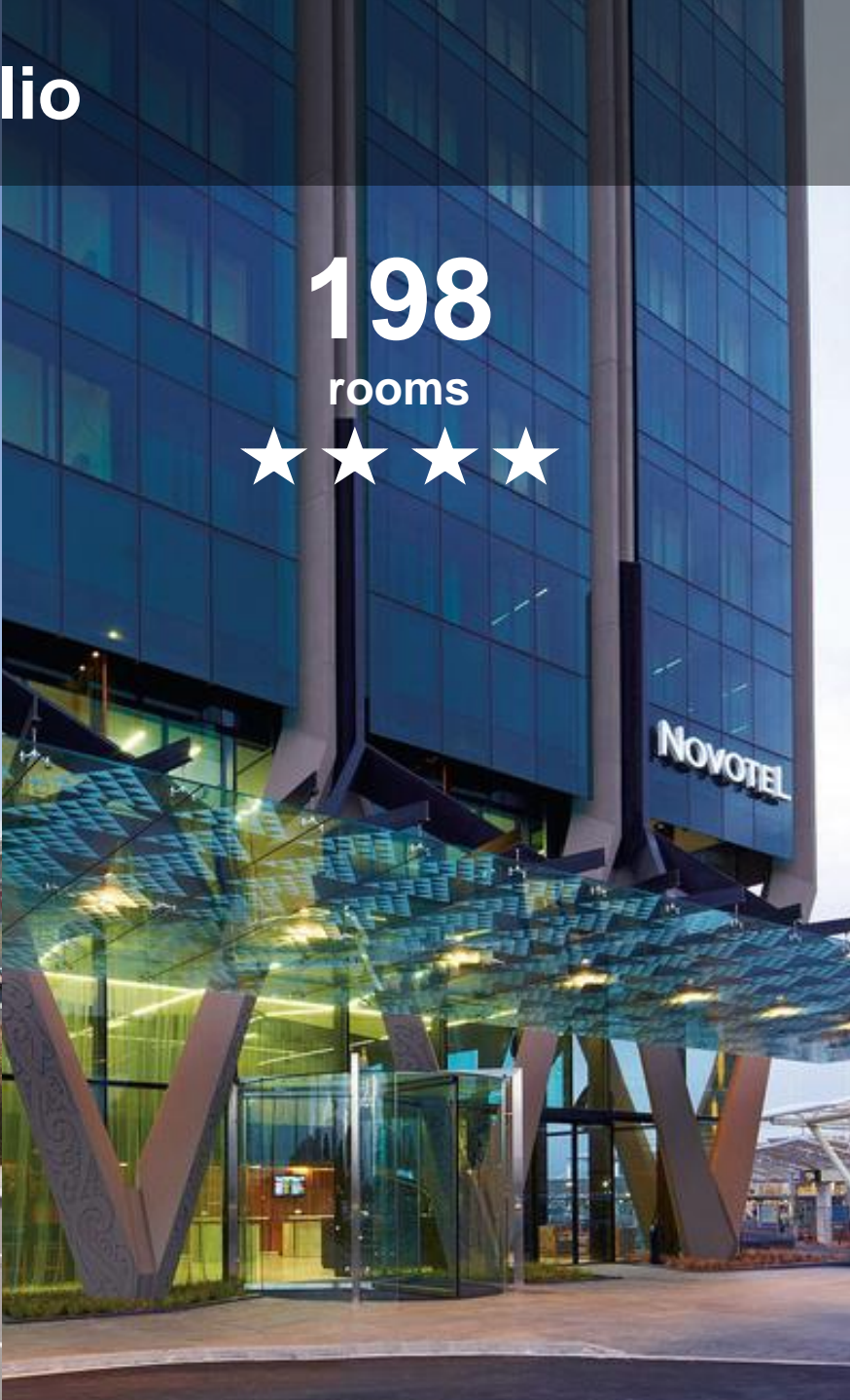


Extensive hotel portfolio



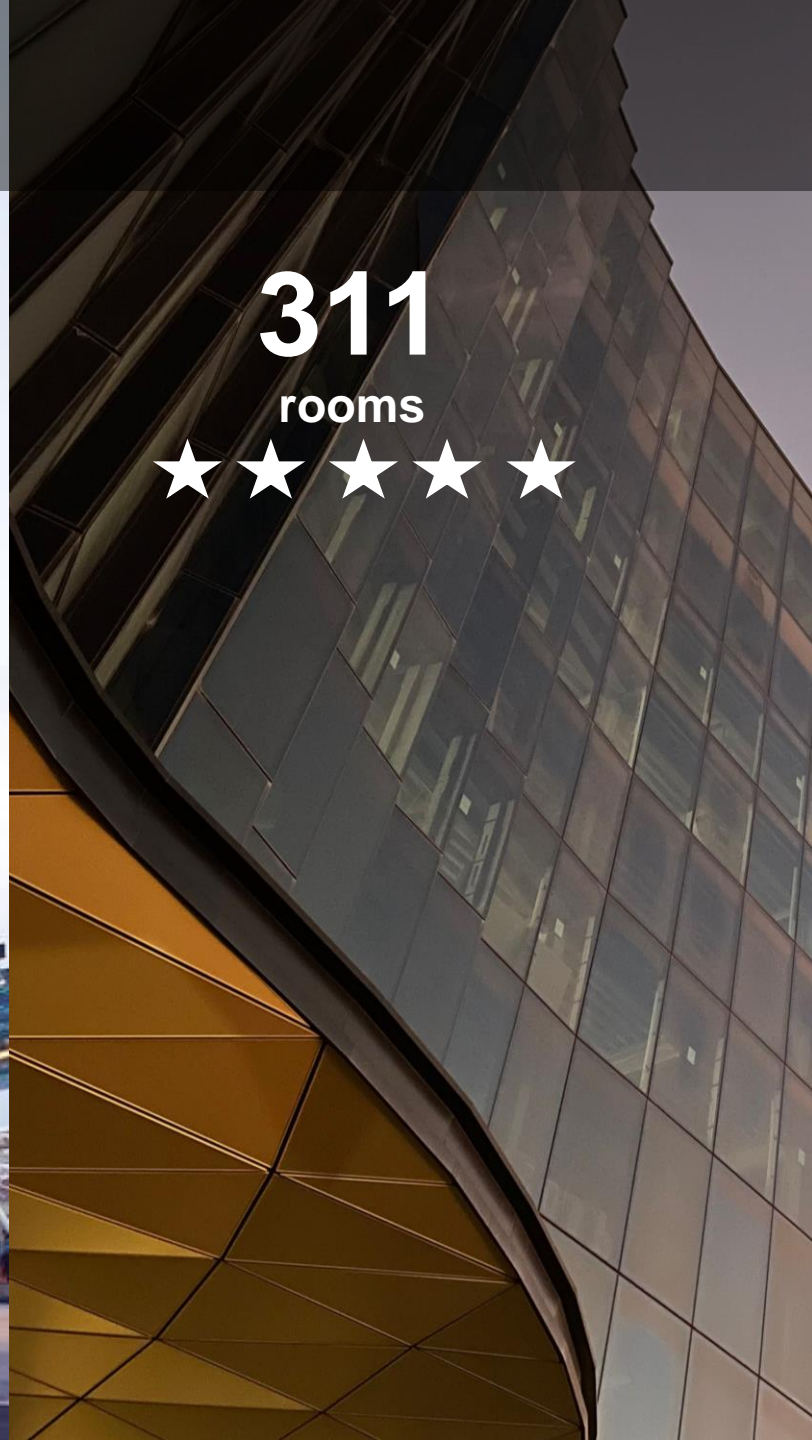
273

rooms



198

rooms



311

rooms



1500 ha land holding enables a precinct wide vision



Notes

1. Pre-COVID-19, for the 12 months to 31 Dec 2019

The airport is a combination of regulated and unregulated activities

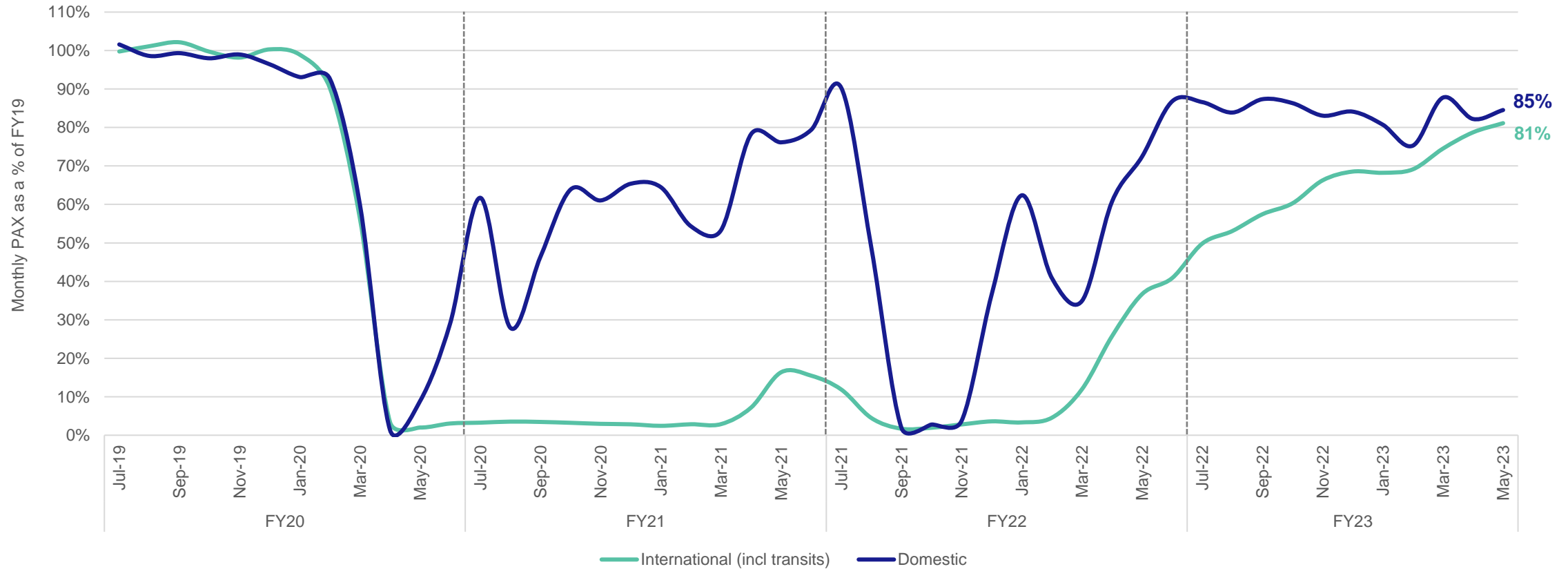
2019 Revenue composition - \$738.2m



So where are we today?

COVID-19 and the associated imposition of travel restrictions resulted in an extended period of disruption for Auckland Airport. Passenger numbers are expected to be back to pre-pandemic levels during 2025

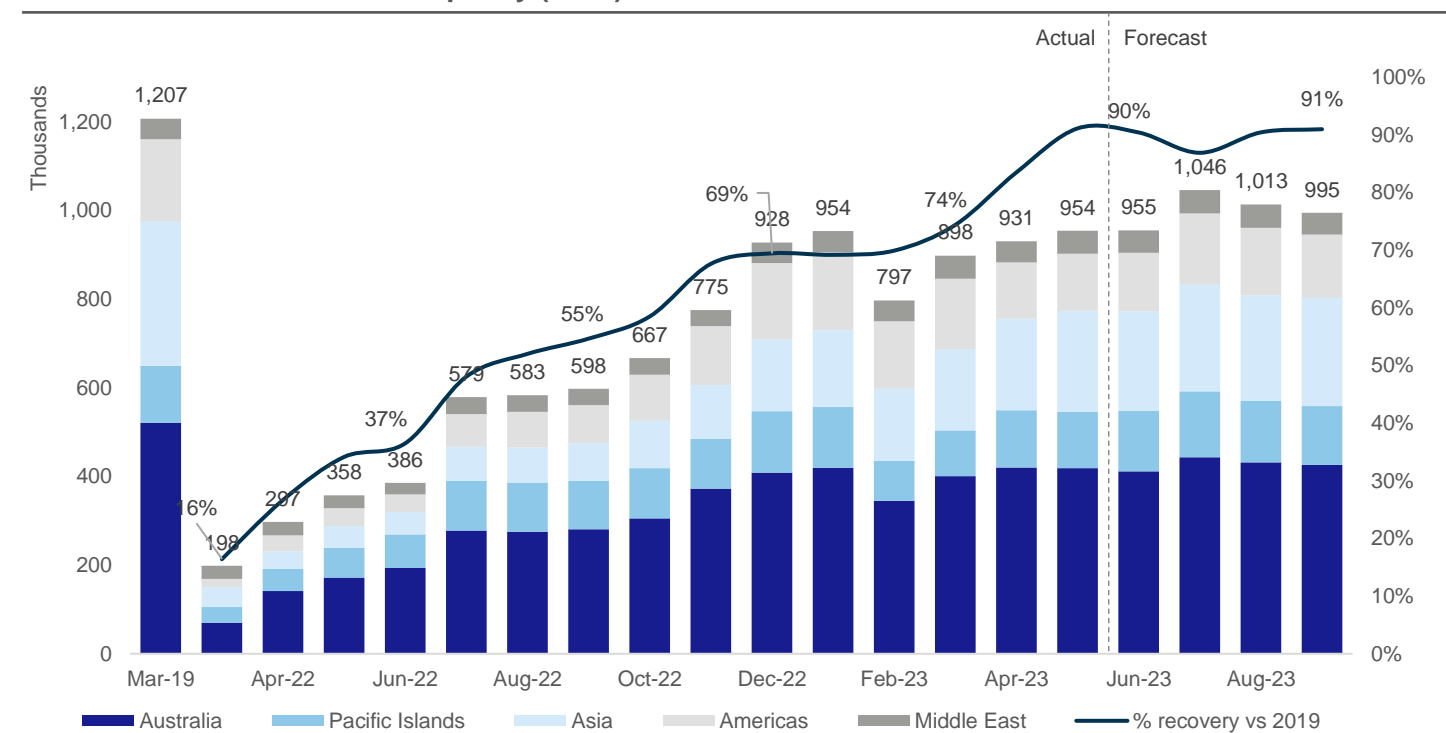
Monthly passenger numbers



International travel recovery ongoing

International seat capacity serving Auckland is expected to significantly increase over the remainder of the calendar year as airlines restart previous Auckland services and launch new routes

























Auckland international seat capacity (000s)



Recovery % versus pre-COVID equivalent	Dec-22	Sept-23
Australia	74%	89%
Pacific Islands	91%	82%
Asia	40%	86%
Americas	102%	121%
Middle East	90%	100%

Source: Sabre

Announced and launched airline restarts

Jul 22	  	Adelaide, Cairns, Hobart, Sunshine Coast, Papeete, Noumea, Honolulu, Houston Honolulu Los Angeles via Papeete
Sep 22	 	Norfolk Island New York
Oct 22	  	Chicago Dallas San Francisco
Nov 22	 	Vancouver Kuala Lumpur via Sydney
Dec 22		Dubai (direct)
Mar 23		Bali
May 23		Beijing 
Jun 23		Sydney-Auckland-New York
Aug 23		Shenzhen 
Sep 23		Kuala Lumpur via Perth 
Oct 23		Doha (direct) 
Dec 23		Los Angeles Los Angeles  Los Angeles 

1H23 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)

EBITDAFI ¹

\$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 investment ²

\$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

Return to underlying profit

For the year ended 30 June and six 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

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

Balance sheet remains strong

As at 30 June and 31 December 2022 \$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

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

Increase in aero infrastructure capex with strong ongoing commercial opportunities



Construction of the Transport Hub

Key projects that will transform the aviation system in Auckland



Ten-year roadmap

Projects are subject to change and may be replaced, deferred or cancelled

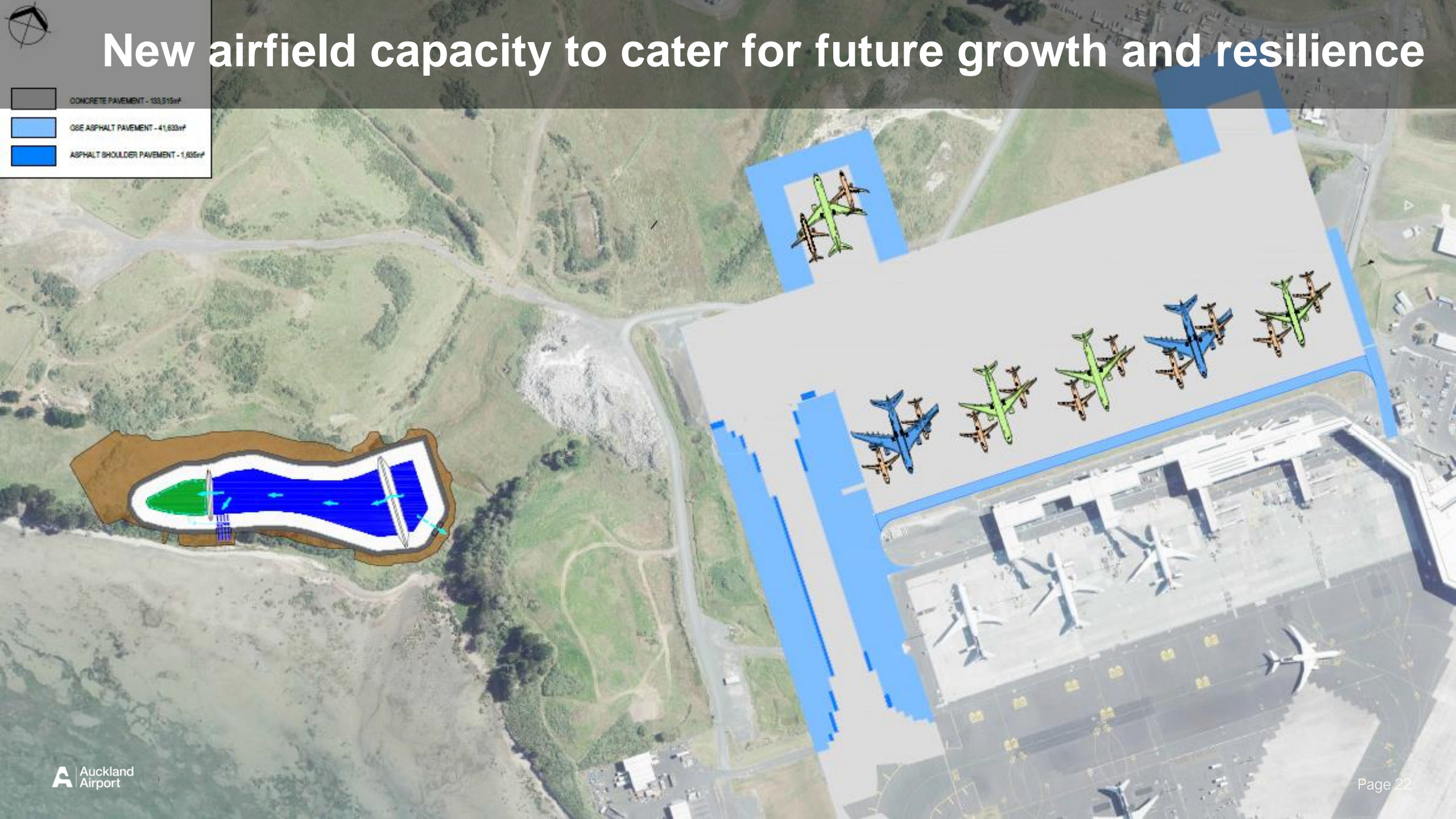
Significant upgrade to the domestic experience



A transport hub that will transform the guest experience



New airfield capacity to cater for future growth and resilience



Construction of key enabling projects well underway







Exciting fashion outlet centre under construction



 100+ stores

 23,000+



Economic Regulation

On the 8th June 2023, Auckland Airport announced its aeronautical charges for price setting event four (“PSE4”) with new prices coming into effect from 1 July 2023. Separately, the New Zealand Commerce Commission (“NZCC”) has recently released a draft of its review of the input methodologies which is now open for public submission

Input methodologies

- The NZCC recently released a draft report on its review of the Input Methodologies – i.e., the rules and processes that underpin regulatory information disclosures including the Commission’s WACC determination for monitoring purposes with public submissions due by 19 July 2023
- Following the submission process, Auckland Airport expects the Commission’s final decision to be published in December 2023 and to apply to our future price setting events

PSE4 Aeronautical pricing

- Consultation on aeronautical pricing for PSE4 has concluded with new charges due to come into effect from 1 July 2023. Prices were determined following consultation with airlines on a range of factors including the commissioning of aeronautical infrastructure, operational expenditure, target return and the recovery in passenger and aircraft movements
- The NZCC will now review Auckland Airport’s pricing for PSE4 with a final report expected before 30 June 2024
- We understand that the Commission’s review of our PSE4 pricing decision will consider the merits of our WACC / target return arguments in the context of its previous 2016 WACC IM
- Our target return is based on detailed empirical analysis disproving the merits of the Commission’s 5 basis points downwards adjustment to asset beta for the aeronautical component of airport businesses (the Commission has accepted this argument), using the Commission’s most recent TAMRP estimate (at that time 7.5%) and updating the Commission’s risk free rate (3.6%) leverage (14%) and asset beta (0.80) estimates using the most recent 10 years of comparable airport company data available at the start of PSE4 (ie at 30 June 2022)



Emirates A380 parked at Auckland Airport

Sustainability is central to who we are

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 flex

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 center'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

Thank you



Appendix



Appendix: Underlying profit / (loss) 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