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# Sydney Airport



**Full Year Results 2015**

18 FEBRUARY 2016



# Disclaimer



## General securities warning

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Sydney Airport advises that on 3 February 2016 foreign ownership was 31.0%

# Agenda

1. **Strategy**
2. **Highlights**
3. **Financial Performance**
4. **Investor Value Focus**
5. **Diversity in our Business**
6. **Delivering Growth and Yield Expansion**
7. **Western Sydney Airport Update**
8. **Outlook**
9. **Appendix**





## Our four strategic priorities

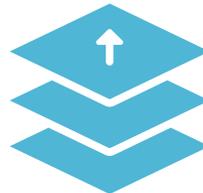


### Partnering for growth



Aviation and tourism partnerships driving passenger growth

### Investing in capacity, product and efficiency



Investment delivering growth and yield expansion across all businesses

### Delivering a superior customer experience



Stakeholder engagement and focus to deliver an improved experience for customers

### Managing risk



Strengthen balance sheet  
Strict investment criteria  
Long term contracts  
Business diversity

**Strong sustainable investor value over time**

# Strong performance for 2015

 Key Metrics



**\$1,229.0m**

Total Revenue



**\$1,003.6m**

EBITDA



**25.5c**

2015 Distribution

Net operating receipts  9.6%  
Coverage of distribution 102%



**39.7m**

Total Passengers

International  4.3%  
Domestic  2.3%



# 2015 highlights



## Significant strategic milestones completed in 2015



1

### **International aeronautical agreements**

- ✓ New five year agreement with international airlines
- ✓ Five year investment strategy delivering passenger experience improvements, additional capacity to meet new demand and more efficient operations
- ✓ Delivers an appropriate return and investment certainty
- ✓ Developed a service level framework
- ✓ New terminal presentation standards have been deployed with passenger surveys and feedback already delivering higher ratings for cleanliness and maintenance

2

### **Terminal 3 transaction**

- ✓ Landmark deal reached to take control of T3 for \$535 million from 1 September 2015
- ✓ Purchased on approximately 11x EBITDA multiple for the first full year
- ✓ CPS and EBITDA accretive immediately
- ✓ T3 will move to common use from 2019
- ✓ Significant financial, operational and strategic benefits

3

### **WSA consultation**

- ✓ Australian Government continues to examine Western Sydney Airport opportunity and engage with Sydney Airport
- ✓ Sydney Airport has made a submission to the public EIS consultation process
- ✓ Over 80 meetings conducted with government and government stakeholders to date

# Distribution and capex guidance



2016 full year distribution of 30 cents; 17.6% above 2015 and five year capex guidance of \$1.3 billion for 2016-2020



## Distribution guidance

FY15 distribution of 25.5 cents

- Final distribution of 13 cents paid 12 February 2016
- 102% covered by Net Operating Receipts

FY16 distribution guidance of 30 cents per stapled security

- Expected to be 100% covered by Net Operating Receipts
- Guidance subject to aviation industry shocks and material forecast changes

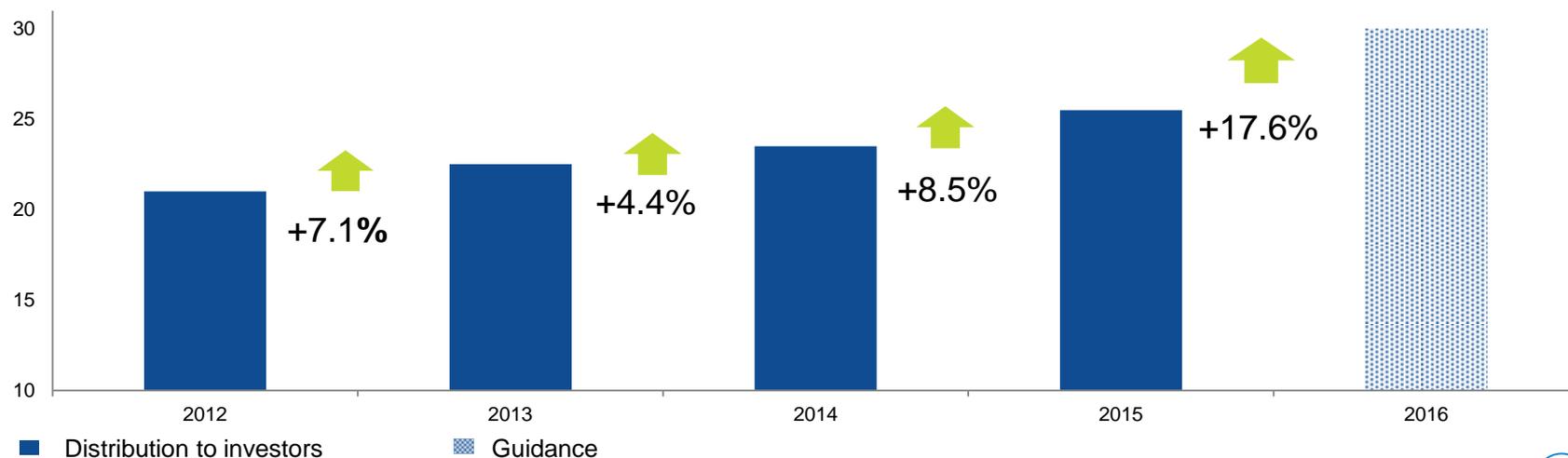
## Capital expenditure guidance

FY 2015 capex invested \$339 million

- Reflects the phasing of our capex programme in our international aeronautical agreements

Five year capital expenditure guidance of \$1.3 billion 2016-2020, remains flexible to respond to changes in demand

- FY16 guidance \$400 million, linked to aeronautical price increase of 4.8%



# Financial Results 2015



# Operational growth



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



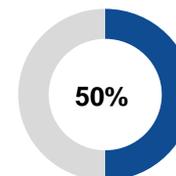
Business	2015 Highlights	Revenue \$m	Revenue Contribution	Revenue Growth
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## Aeronautical

- International passenger growth of 4.3% and the commencement of services from six new airlines
- Signing of new five year international aeronautical agreements
- Capital investment, supporting improved passenger experience, airline operating efficiencies and new capacity to meet demand

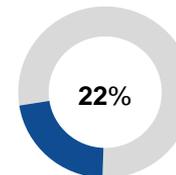
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## Retail

- New duty free operator commenced in February, bringing 400 new brands to T1
- Accelerated redevelopment of duty free and luxury offer
- New travel essentials and Australian Experience contracts
- Food court upgrades and expansions in T1 and T2

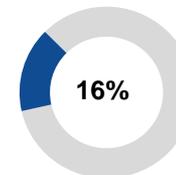
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## Property

- New car rental contracts from January 2015
- 280 rent reviews completed
- Approximately 30 new leases signed
- American Express and SkyTeam lounges opened early 2015
- New Sydney Airport hotel to be managed by Mantra

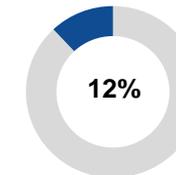
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## Car Parking

- Online parking take up continued to grow strongly
- Successfully implemented a demand management system for online bookings
- Strong international peak demand and long stay bookings
- Next phase of five year ground access plan rolled out

150.6



# Statutory income statement



Strong revenue growth of 5.6% and EBITDA growth of 5.8%



\$ MILLION	FY15	FY14
Total revenue	1,229.0	1,163.6
Total expenses	(225.4)	(215.3)
Profit before depreciation, amortisation, finance cost and income tax (EBITDA)	1,003.6	948.3
Depreciation and amortisation	(312.5)	(326.4)
Profit/(loss) before net finance costs and income tax (EBIT)	691.1	621.9
Net finance costs	(405.0)	(506.2)
Profit before income tax benefit/(expense)	286.1	115.7
Income tax (expense)/benefit	(5.0)	(58.5)
Profit after income tax benefit/(expense)	281.1	57.2
Profit attributable to non controlling interests	1.9	1.9
Net profit attributable to security holders	283.0	59.1

# Profit to cash flow reconciliation



8.5% distribution growth for the full year,  
covered by net operating receipts



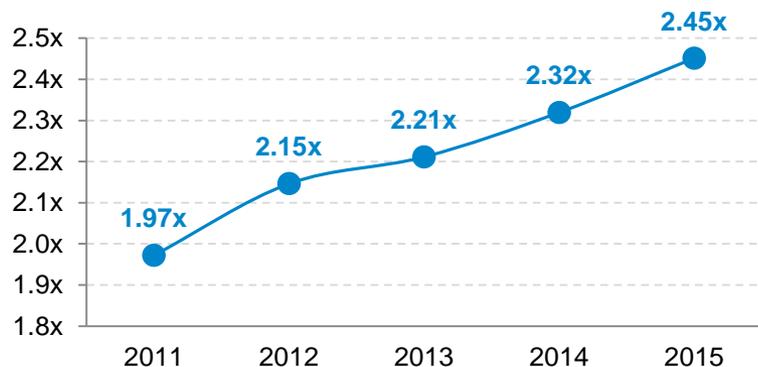
\$ MILLION	FY15	FY14
Profit before income tax (expense)/benefit	286.1	115.7
Add back: depreciation and amortisation	312.5	326.4
Profit before tax, depreciation and amortisation	598.6	442.1
Add/(subtract) non-cash financial expenses		
- Capital Index Bonds capitalised	15.8	29.7
- Amortisation of debt establishment costs	23.1	24.6
- Borrowing costs capitalised	(11.0)	(8.0)
- Fair value adjustment to swaps	(28.3)	54.6
Total non-cash financial expenses	(0.4)	100.9
Add/(subtract) other cash movements:		
- Movement in cash balances with restricted use	(5.5)	(8.7)
- Other	(14.9)	(9.2)
Total other cash movements	(20.4)	(17.9)
Net operating receipts	577.8	525.1
Average stapled securities on issue (m)	2,221.2	2,213.5
Net operating receipts per stapled security	26.0c	23.7c
Distributions declared per stapled security	25.5c	23.5c

# Balance sheet delivering flexibility and liquidity

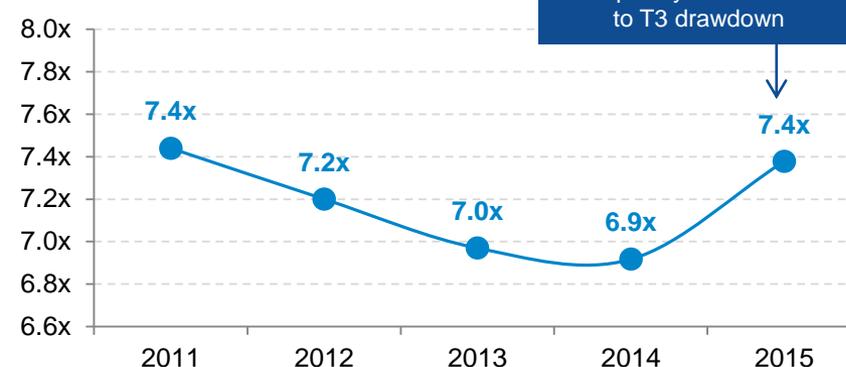


Debt drawn to partially fund T3 transaction, interest cover increasing strongly

## Total Interest Coverage



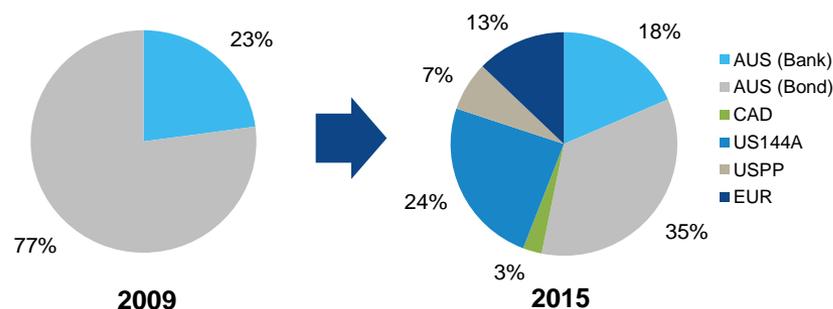
## Net Debt to EBITDA<sup>1</sup>



## 31 December 2015 Metrics

Net debt	\$7.4bn
Net debt : EBITDA <sup>1</sup>	7.4x
CFCR	2.5x
Credit rating	BBB/Baa2
Next drawn maturity	1H 2017
Average maturity	2023
Average cash interest rate <sup>2</sup>	5.7%

## Diversification of the Debt Portfolio



Debt metrics calculated for SCACH:

- Ratio temporarily impacted by partial debt funding of T3 transaction without full annual EBITDA benefit; is expected to normalise following one year of operation
- Excludes capitalised interest, fair value of swaps and amortisation of debt establishment and other costs

# Delivering efficient financing



Financing objectives continue to drive delivery of strong outcomes



## Objectives



## Financing Outcomes



**Optimise Pricing**

**Spread & Lengthen Maturity Profile**

**Diversify Funding Sources**

**Maintain BBB/Baa2 Credit Rating**

**Maintain Capacity for Future Raisings**

**Minimise Execution Risk**

- ✓ Downward trend in average cash interest rate
- ✓ <15% of debt portfolio maturing in any one year
- ✓ Average maturity extended ~three years since privatisation
- ✓ Five maturity profile gaps filled in the last three years alone
- ✓ Five new debt capital markets accessed since privatisation
- ✓ Doubling of total interest coverage since privatisation
- ✓ Significant reduction in gearing
- ✓ BBB/Baa2 credit rating maintained
- ✓ Partial cash funding of T3 transaction
- ✓ Significant bond oversubscription provides follow-up demand
- ✓ Sufficient liquidity to cover proximate maturities/investment

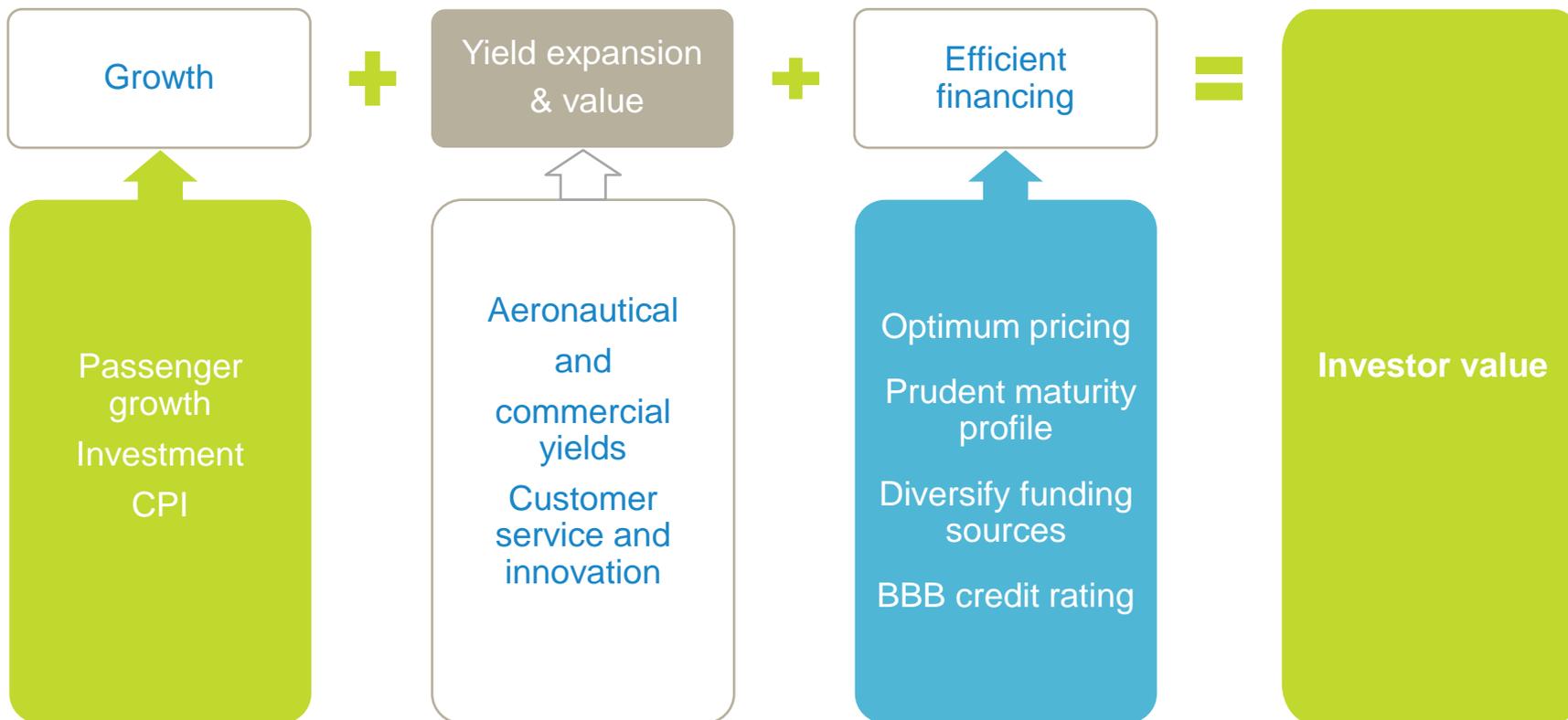
# Investor Value Focus



# Driving investor value



Sydney Airport delivering investor value today and for the future



# Delivering growth through passengers



Load factors and capacity increases, from new and existing airlines, drove 2015 passenger growth

## 2015 Traffic Performance

- Strong international growth driven by capacity increases and solid load factors
- Performance has been driven by a broad base of Asian nations and some more traditional markets
- Seven new international carriers were announced in 2015 and six have already commenced
  - American Airlines → 225,000 seats
  - ANA → Tokyo Haneda → 157,000 seats
  - Xiamen → Fuzhou and Xiamen → 123,000 seats
  - Indonesia AirAsia X → Denpasar → 200,000 seats
  - Qatar Airlines → Doha → 245,000 seats
  - Solomon Airlines → Honiara → 17,000 seats
  - Hainan Airlines → Xi'an → 11,500 seats

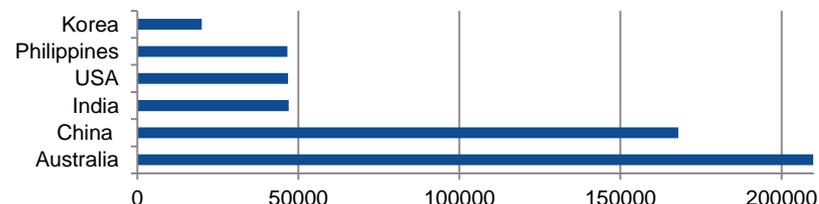
## Passenger growth in 2015

PASSENGERS ('000s)	2015	2014	GROWTH
Domestic	25,941	25,351	+2.3%
International	13,715	13,150	+4.3%
<b>Total</b>	<b>39,656</b>	<b>38,501</b>	<b>+3.0%</b>

## Fastest Growing Nationalities in 2015

NATIONALITIES	GROWTH
Philippines	+36.7%
China	+17.8%
Sri Lanka	+16.7%
India	+15.9%
Spain	+15.6%
Vietnam	+15.0%
Nepal	+12.1%

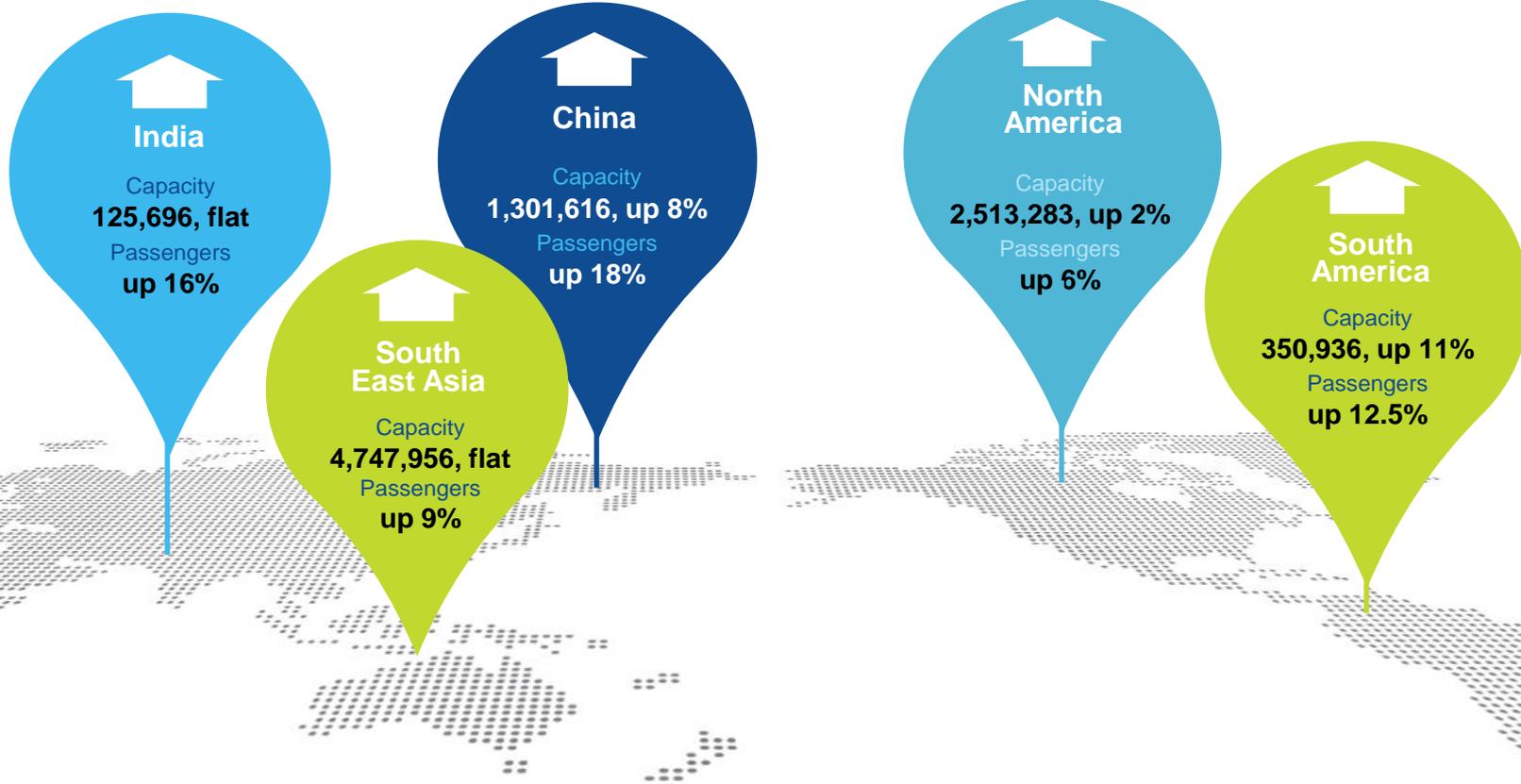
## Largest inbound and outbound market growth in 2015 by absolute passenger numbers



# Diverse markets



## 2015 passenger growth and capacity by region



# Diverse airlines



New airlines: American Airlines, ANA, Hainan Airlines, Indonesia AirAsia X, Qatar Airways, Solomon Airlines and Xiamen Airlines



Air Canada



Air China



Air India



Air New Zealand



Air Niugini



Qantas



Cebu Pacific Air



Tigerair



American Airlines



Asiana



British Airways



Cathay Pacific



China Airlines



China Eastern



China Southern



Jetstar



Delta Air Lines



ANA



Qatar Airways



Fiji Airways



Garuda Indonesia



Hawaiian Airlines



Japan Airlines



Korean Air



Virgin Australia



Regional Express



Xiamen Airlines



Malaysia Airlines



Philippine Airlines



LAN Airlines



Sichuan Airlines



Scoot



Singapore Airlines



Aircalin



Air Vanuatu



Hainan Airlines



Emirates



AirAsia X



United



Vietnam Airlines



Thai Airways



Solomon Airlines



FlyPelican



Indonesia AirAsia X



Etihad Airways

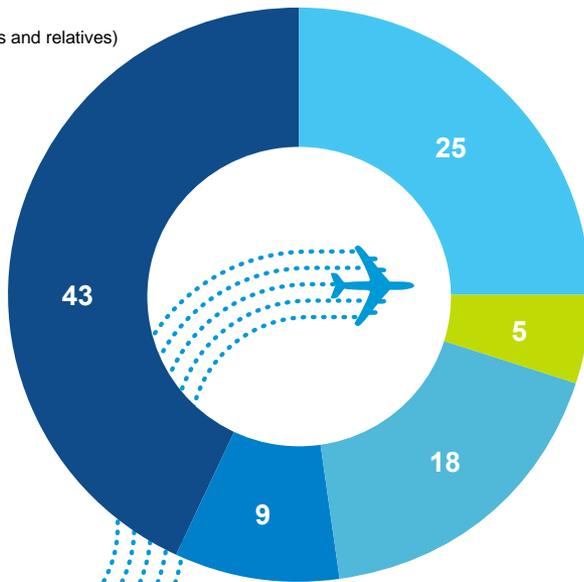
# Diverse passenger mix



Sydney Airport represents an attractive proposition for airlines and passengers globally

## Diverse purpose of travel of Sydney Airport's international visitors (%)

- Holiday
- VFR (visiting friends and relatives)
- Other
- Business
- Education



## Foreign nationality breakdown (%)

- Australia (54)
- Foreign (46)



## Australian destination breakdown (%)

- Australia (54)
- Foreign (46)



Source: DIAC, data recorded by residency and final destination

# Delivering growth through investment



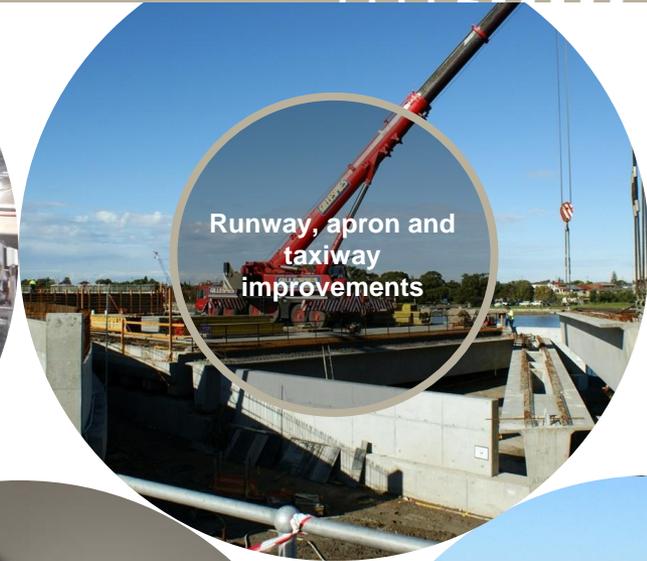
More than 180 projects currently underway, the largest investment program since the 2000 Olympics



Ground transport access roads



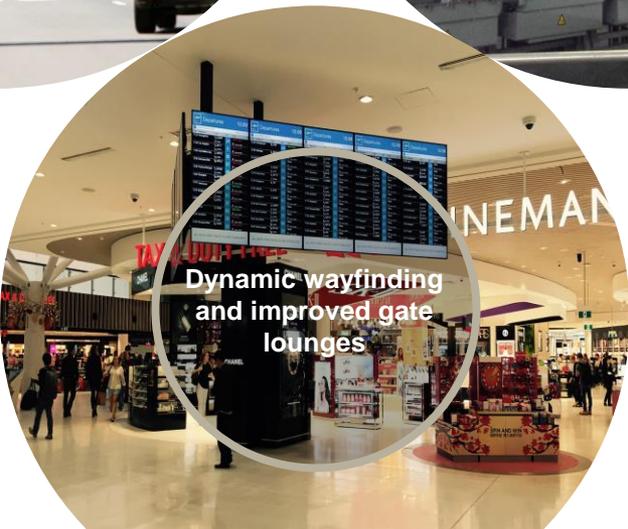
Baggage system improvements



Runway, apron and taxiway improvements



Northern lands bridge



Dynamic wayfinding and improved gate lounges



Departures e-gates and improved security processing



Northern lands bridge

# Delivering yield expansion through commercial businesses



Yield expansion delivered across all commercial businesses

## Retail delivering yield through:

- New and unique experiences which enhance the passenger journey
- 154 retail tenancy transactions undertaken in 2015, with 66 new tenants
- New duty free contract on superior terms, and construction complete in February
- New advertising partner commenced in August, with over 500 digital and static advertising sites

## Car parking delivering yield through:

- Strong asset utilisation
- 33% of revenues driven by online bookings, growth of 20% on 2014
- New 'easy peasy' branding and marketing campaign
- Demand management system implemented
- All car parks reaching close to capacity in peak periods

## Property delivering yield through:

- Improved terms on new car rental contract
- Over 280 rental reviews in 2015
- 59 new leases across three terminals, three new leases in T3
- Occupancy increase to 99%
- Hotel strategy implementation



# Delivering value expansion through yield expanding initiatives



Continued pipeline of initiatives focusing on yield and growth



## 1 Driving revenue growth over the next 12 months

### Significant airline capacity increases

- Seven new international airlines commencing over the next 12 months
- 1.5 million new seats commencing over the next 12 months

### International aeronautical agreement

- 3.8% average aeronautical price increase over the next four years to reflect investment

### Terminal 3 transaction

- Accretive to EBITDA (11x EV/EBITDA multiple)
- Accretive to CPS

### New duty free contract

- Contract negotiated on superior terms

### Northern lands

- Development of 1,200 at grade car parking spaces, initially vehicle storage

## 2 Driving future revenue growth

### Car parking expansion

- 1,600 new car spaces or 10% incremental capacity to be built over the next 12 months

### Car parking demand management system

- More efficient asset management based on supply and demand

### Hotel expansion

- Two new hotels to be constructed adding an additional 250 hotel rooms

### Western Sydney Airport Right of first refusal

- Additional Sydney basin capacity
- Potential to access a new market

# Delivering value through customer service improvements



Terminal 1 improvements and the new terminal presentation standards are set to deliver an improved customer experience



## Terminal 1 improvement program delivering value through:

- Wider pathways to deliver improved passenger flows and more direct paths to aircraft gates
- 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-gates, orientation space and optimised access to passport control line



## Improved terminal presentation standards delivering value through:

- Under the new IAA, Sydney Airport has committed to improve the terminal presentation standards at T1
- Significant improvements have been delivered in the second half of 2015
- Further increase in standards to be delivered in 2016
- Feedback is positive, customer surveys reporting higher ratings for cleanliness and maintenance in 2H15



# Delivering value through innovation



Innovation delivering a superior customer experience at each stage of the end to end journey



## Getting to the airport

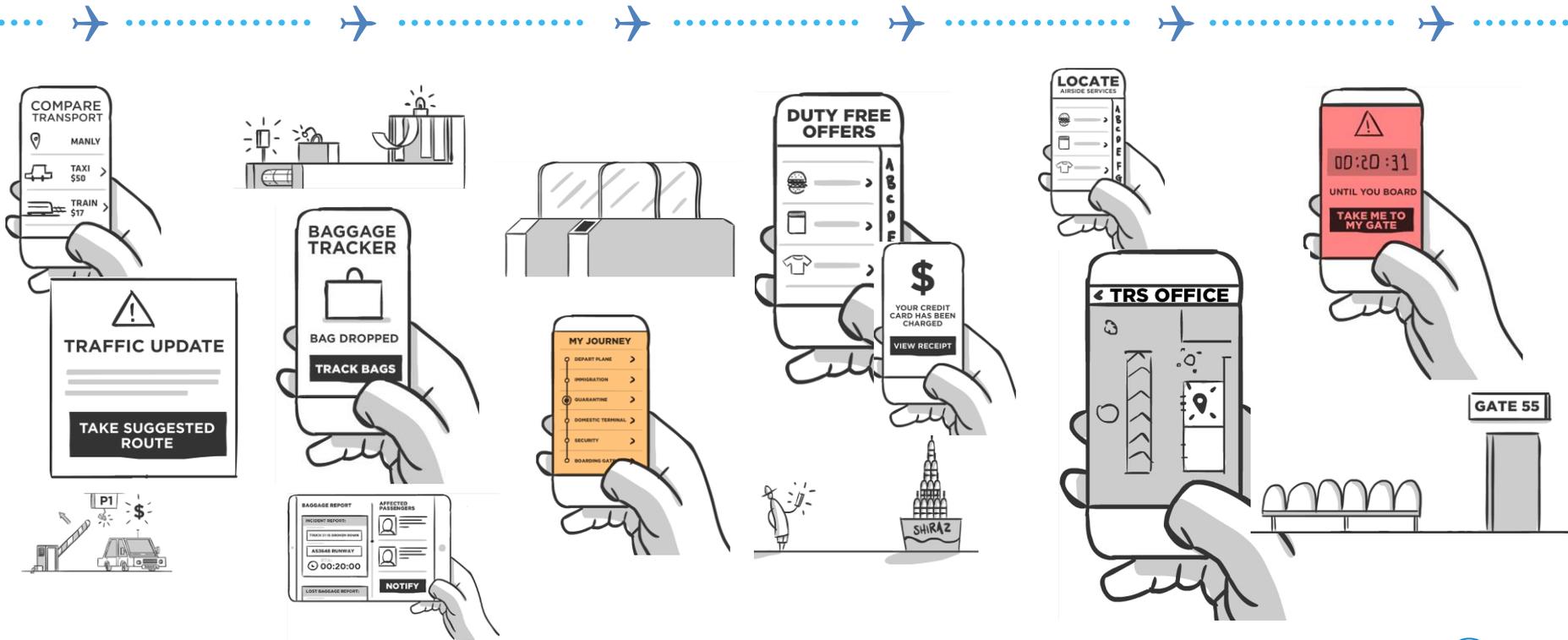
## Check-in and baggage

## Security and immigration

## Retail experience

## Wayfinding

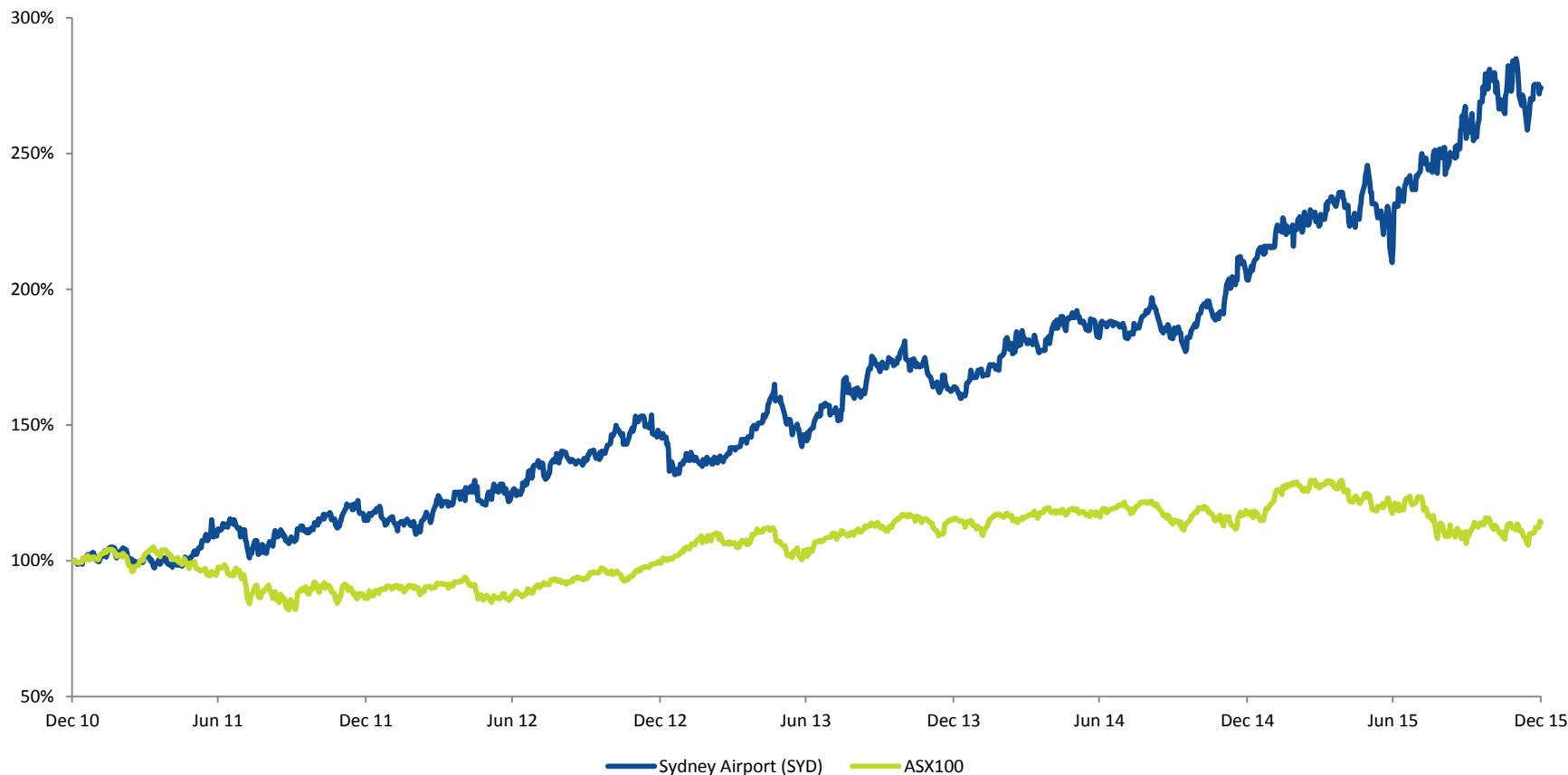
## Aircraft departure



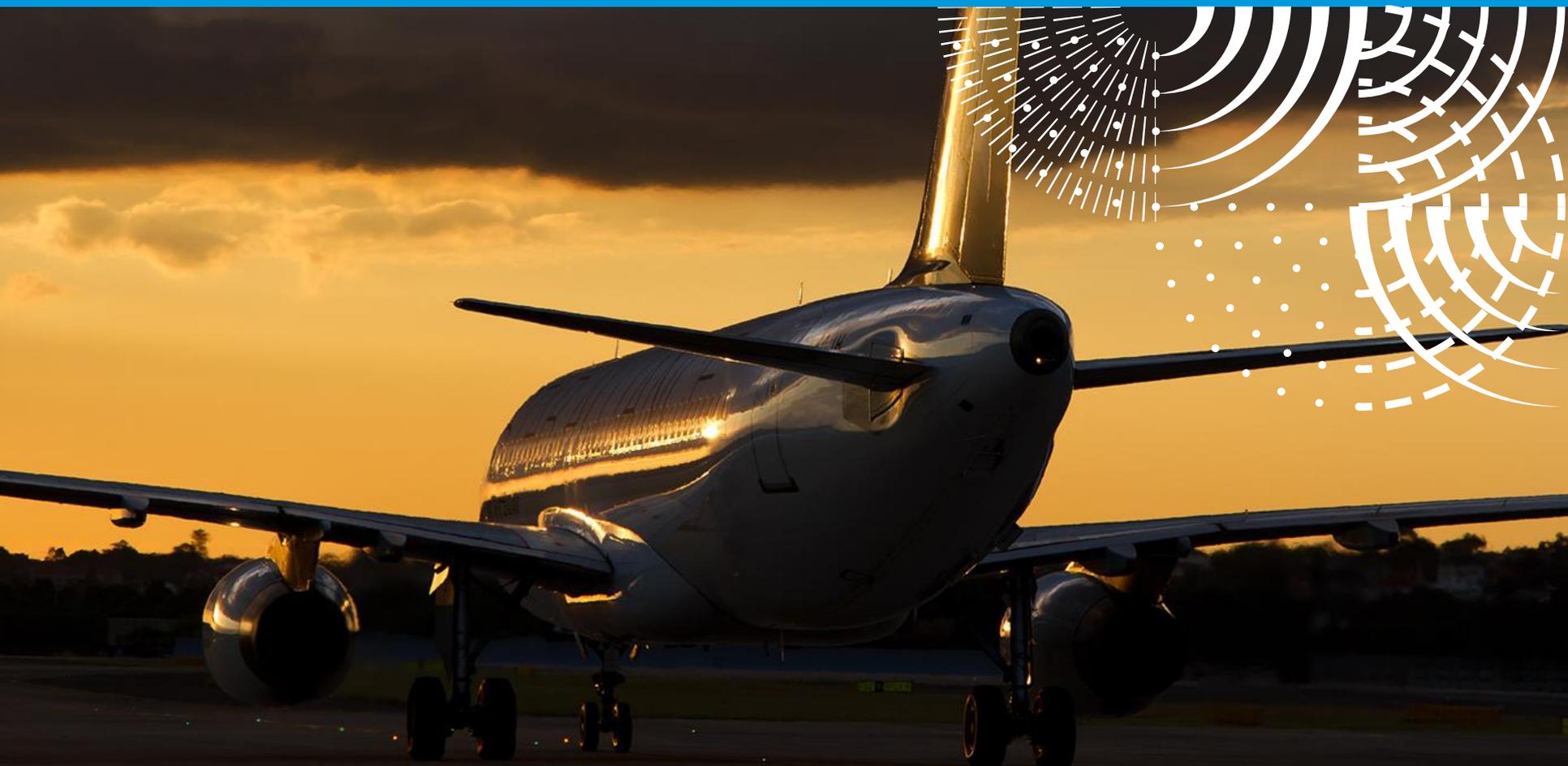
# Investor value focus driving total returns



Over the last five years Sydney Airport has delivered a total shareholder return of 37% per annum



# Western Sydney Airport Update



# Western Sydney Airport



Sydney Airport continues to examine the opportunity to develop and operate Western Sydney Airport

The Australian Government has progressed the environmental approvals for the Airport, submissions on the draft EIS and Draft Airport Plan are being considered

Sydney Airport undertook a valuable civil and building contractor market sounding process

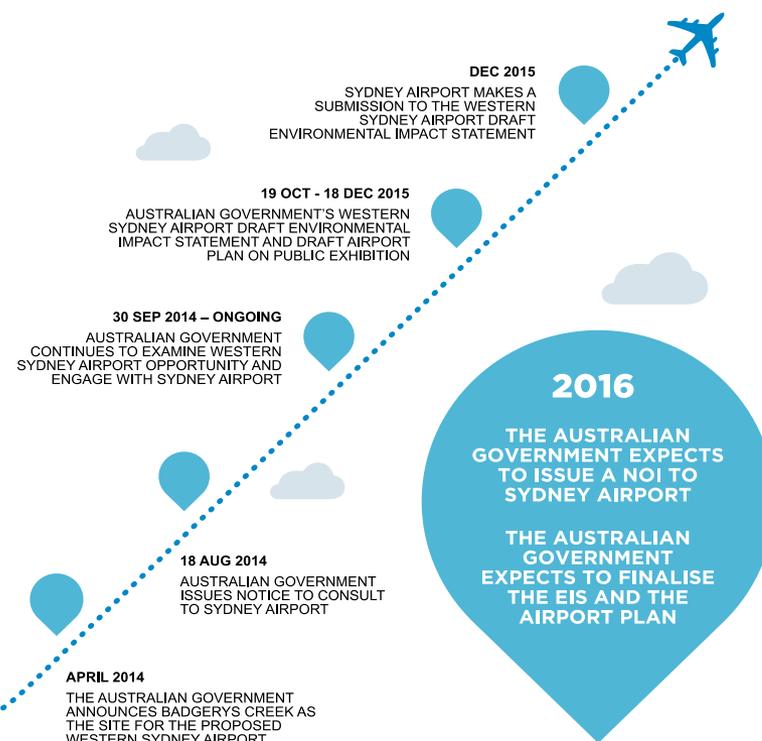
Rigorous and proven principles will be applied to the evaluation of the Notice of Intention:

## Key evaluation principles

1. Hurdle rates of return – any investment will require a greenfield risk premium over and above what is generated at our existing airport
2. Cash flow and yield – both equity and debt investors are focused on maintaining strong and stable cash flows
3. Growth potential – the ability to expand the business over time will be vital
4. Downside protections – the appropriate downside protections will need to be implemented across the business, operationally, financially and contractually
5. Impacts on KSA – we will ensure that any impacts on our current business are understood and factored into our analysis

We remain committed to the process the Australian Government is undertaking as set out under our Right of First Refusal

## Western Sydney Airport timeline





Strongly positioned to deliver continued strong growth and yield



## Macro environment

- Australian tourism market strong
- Solid NSW economic growth
- Historically low fuel costs

## Operational

- Diversity of revenue and passenger mix
- Capitalising on commercial opportunities
- Investing to increase capacity

## Balance sheet and financials

- No drawn debt maturities until 2017
- Diverse debt sources and long term maturity profile
- Distribution guidance growth of 17.6% to 30 cents per stapled security for 2016

## Long term growth

- Significant investment with appropriate returns
- Control of T3
- Major revenue streams supported by long term agreements
- WSA opportunity – evaluation approached with rigour and discipline



# Investment Merits



Sydney Airport is one of the world's leading infrastructure assets



## 99 year leasehold

- Lease until 2097

## Catchment area

- Core catchment area of 5m people, 7.5m people in NSW

## Strong passenger growth profile

- Sydney is both a business and tourism hub, in a growing NSW economy
- Strong Asian connections – increasing urbanisation

## International passengers

- Account for ~70% of passenger driven revenues but only 13% of available slots
- On average, ~7x more valuable than domestic passengers

## Commercial opportunities

- Downside protections via minimum guarantee mechanism
- Investment required to meet strict hurdle rates of return

## Light handed regulatory framework

- Direct agreements with airlines include contractually agreed charges increases
- Dual till principle enshrined in regulatory framework

## Outsourced model

- Controllable operating costs contracted and traffic relatively inelastic

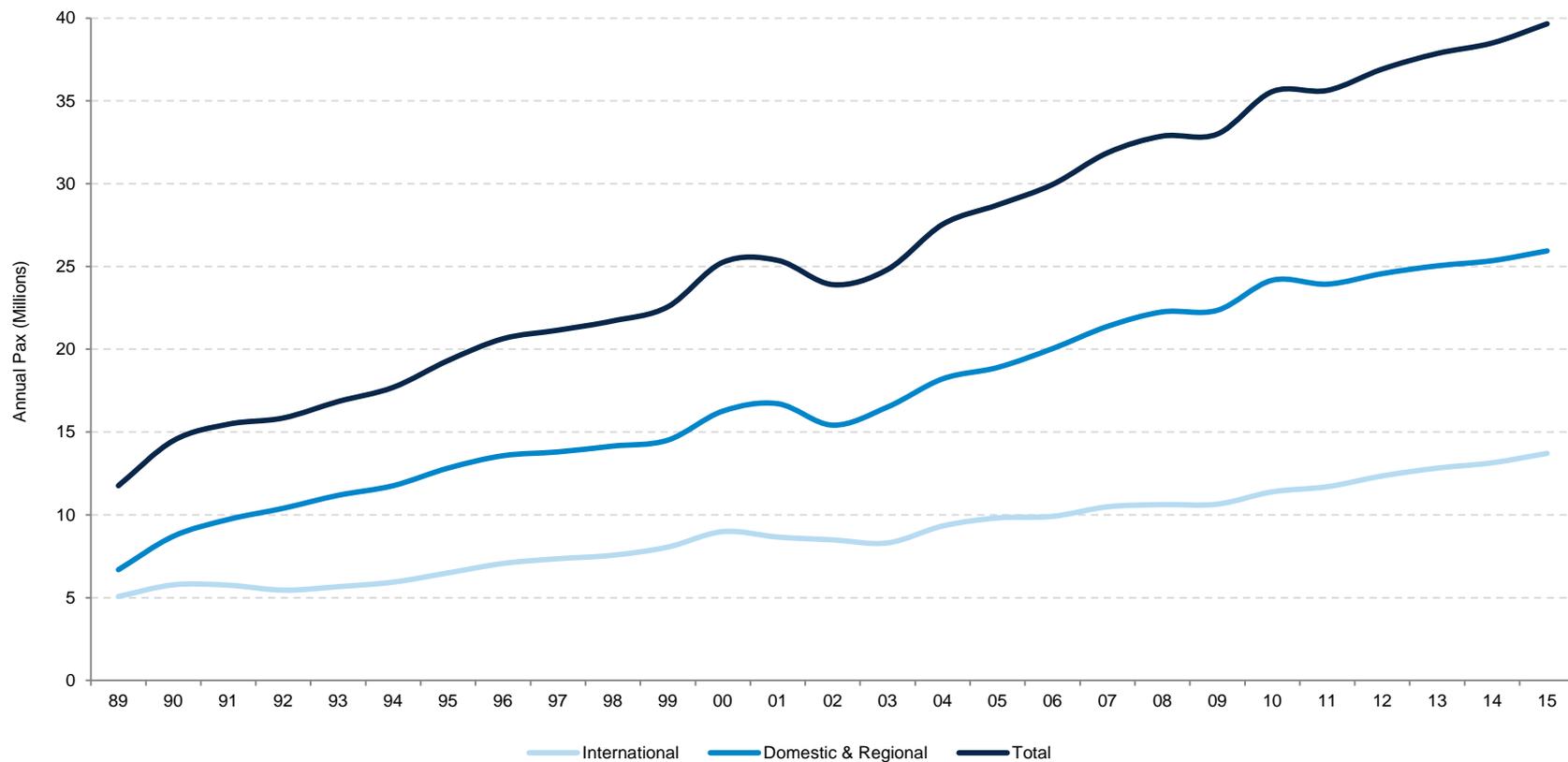
## Consistent growth and downside protections

- Long term contracts with airlines and tenants
- CPI or higher escalation in retail and car parking revenues. CPI or market rent reviews for property
- Growth initiatives across all businesses

# Long term traffic growth



Resilient passenger growth across all economic cycles



# Consistent track record of growth



Passenger growth



EBITDA growth

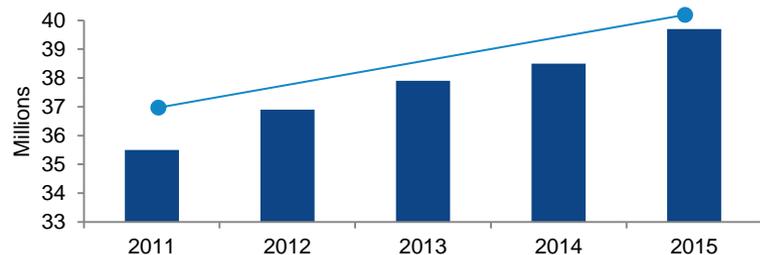


Cash flow outcomes

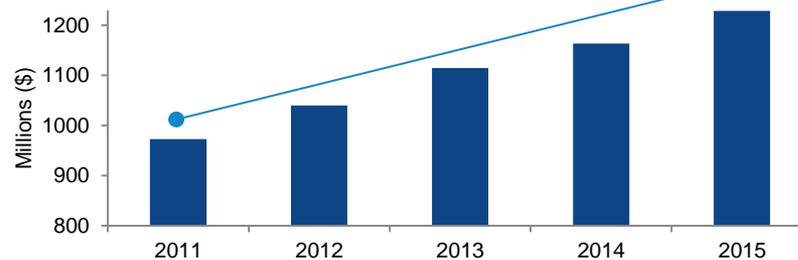


Investor returns

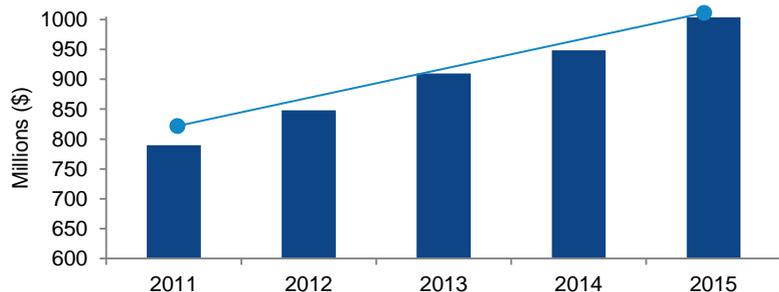
### Total passengers



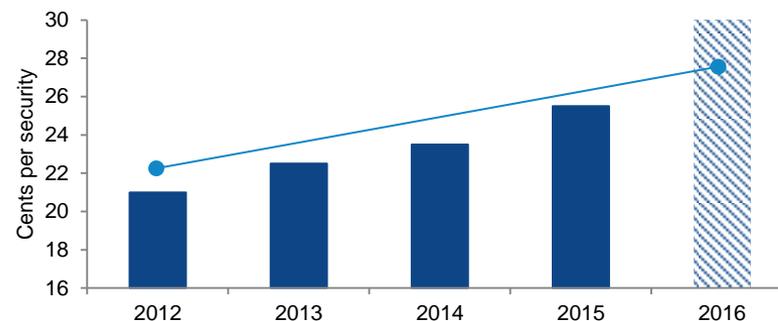
### Total revenue



### EBITDA



### Distributions



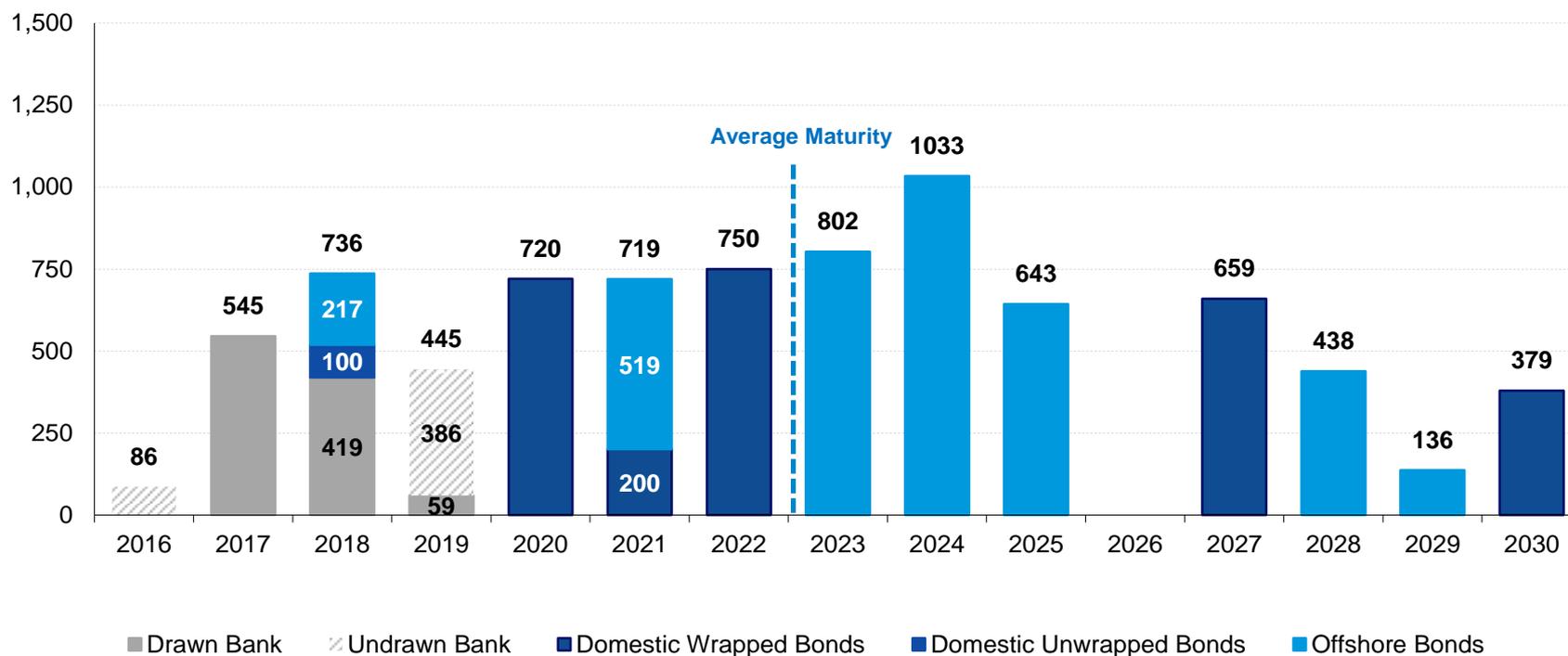
# Debt profile



Spreading and lengthening maturity profile while maintaining prudent hedging



## Debt Maturity Profile



THANK YOU

