



16 June 2020

### **S&P Research Update on Wellington Airport; Rating Lowered to BBB**

On 16 June 2020, Standard and Poor's (S&P) released a Research Update on Wellington International Airport Limited. In this update S&P maintained Wellington Airport's investment grade rating, but lowered this from BBB+ to BBB; outlook negative. A copy is attached to this release.

While the long term impact of Covid-19 on air traffic is uncertain, Wellington Airport's view is that its long term business fundamentals remain strong, and it has worked hard over the last few months to put in place liquidity until traffic and income stabilises. Wellington Airport has increased its bank facilities by \$70 million to \$170 million with extended terms and covenant waivers, which have also been received from the Airport's US private placement lenders.

In addition, its shareholders Infratil and Wellington City Council have put in place \$75.8 million of shareholder support, reflecting both their confidence in the value of the Airport and the critical nature of its services to the region.

Wellington Airport considers that the negative outlook stems from global uncertainty regarding the extent and pace of recovery of air travel from the Covid-19 pandemic, but given its mainly domestic, trans-Tasman and Pacific Island traffic is well placed for a rebound in air travel.

The recent move to Level 1 announced by the Government has already led to an increase in scheduled domestic flights within New Zealand with scheduled capacity in July 2020 back up to around 50% of pre Covid-19 levels, although the timing around international travel resuming is still to be determined. However, the longer-term effects of Covid-19 on travel and Wellington Airport's business remain uncertain and the potential impacts of the pandemic continue to evolve.

Wellington Airport has taken significant actions to resize its business for the forecast impact of reduced airline travel. This has included reducing operating expenditure, resizing the number of airport staff, salary reductions and implementation of a 4-day working week. Other expenditure has also been reduced, including reduced passenger related costs and discretionary costs. In addition, capital expenditure has been deferred or substantially reduced to provide for the maintenance and delivery of infrastructure requirements.

Ends

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