

# Three Year Floating Rate Bonds



# Disclaimer

Auckland International Airport Limited (the "Issuer") is seeking to issue \$150 million of unsecured, unsubordinated floating rate bonds ("Bonds") for general corporate purposes and the financing of the April 2014 capital return to shareholders.

This document does not constitute a recommendation by the Issuer, ANZ Bank New Zealand Limited (the "Lead Manager"), The New Zealand Guardian Trust Company Limited (the "Trustee") nor any of their respective directors, officers, employees or agents to subscribe for, or purchase, any of the Bonds. The Issuer, the Lead Manager and the Trustee, and their respective directors, officers, employees and agents accept no liability whatsoever for any loss arising from this document or its contents or otherwise arising in connection with the offer of Bonds or any person's investment in the Bonds.

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All of the data provided in this document is derived from publicly available information in relation to the Issuer (including the annual report of the Issuer for its financial year ended 30 June 2013), unless otherwise indicated.

This presentation is dated 3 April 2014.

## **Selling restrictions**

The Bonds may only be offered for sale or sold in New Zealand in conformity with all applicable laws and regulations in New Zealand. No Bonds may be offered for sale or sold in any other country or jurisdiction except in conformity with all applicable laws and regulations of that country or jurisdiction. No offering document, information, advertisement or other offering material in respect of the Bonds may be published, delivered or distributed in or from any country or jurisdiction except under circumstances which will result in compliance with all applicable laws and regulations in that country or jurisdiction. The Issuer does not intend that the Bonds be offered for sale or subscription to the public in terms of the Securities Act 1978 ("Securities Act") or as a regulated offer in terms of the Financial Markets Conduct Act 2013 ("FMCA"). Accordingly, without prejudice to the generality of the above, no investment statement, prospectus or other offering document has been or will be prepared under the Securities Act, the Securities Regulations 2009 and/or the FMCA and no person may, directly or indirectly, subscribe for, offer, sell, transfer or deliver any Bonds or publish, deliver or distribute any offering document, information, advertisement or other offering material relating to the Bonds, including but not limited to this Summary Indicative Terms Sheet:

- (i) in breach of the Securities Act or the Securities Regulations 2009 and, in particular, the Bonds may only be offered for sale or subscription to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; or
- (ii) after the Securities Act is not capable of applying to offers for sale or subscription, in breach of the FMCA, and in particular, the Bonds may only be offered for sale or subscription, to persons who are wholesale investors as defined under and in compliance with the FMCA.

Each holder of a Note in breach of the above selling restrictions indemnifies the Issuer and the Lead Manager against any liabilities, losses, damages, costs and expenses (including without limitation reasonable legal costs and expenses on a full indemnity basis) sustained or incurred by the Issuer to the extent it is a direct consequence of the failure of that holder to comply with the above selling restrictions.

# Indicative Terms Sheet



Description of Bonds	Direct, unsecured, unsubordinated, floating rate debt obligations of Auckland International Airport Limited
Issue Credit Rating (S&P)	A- (Stable)
Expected Issue Credit Rating (S&P)	A-
Issue Amount	\$150 million
Opening Date	9:00am, Thursday, 3 April 2014
Closing Date	3:00pm, Thursday, 3 April 2014
Issue Date	Friday, 11 April 2014
Tenor	3 years
Maturity Date	Tuesday, 11 April 2017
Base Rate	3 month FRA settlement rate (Reuters BKBM)
Minimum Subscription	\$500,000 and multiples of \$100,000 thereafter
Minimum Holding	\$100,000 and multiples of \$10,000 thereafter
Indicative Issue Margin	0.60 percent per annum
Interest Payments	Quarterly in arrears
Registrar	Link Market Services Limited

# Company Position in the Group



## Investing in Auckland International Airport Limited – the parent

Auckland International Airport Limited is listed on the NZX and ASX.

- Acquired 24.55% ownership of North Queensland Airports (Cairns and Mackay) in January 2010.
- Acquired 24.99% of Queenstown Airport in July 2010.
- Has a 20% ownership in 4+ star Novotel hotel limited partnership located next to Auckland Airport's international terminal (opened in May 2011).

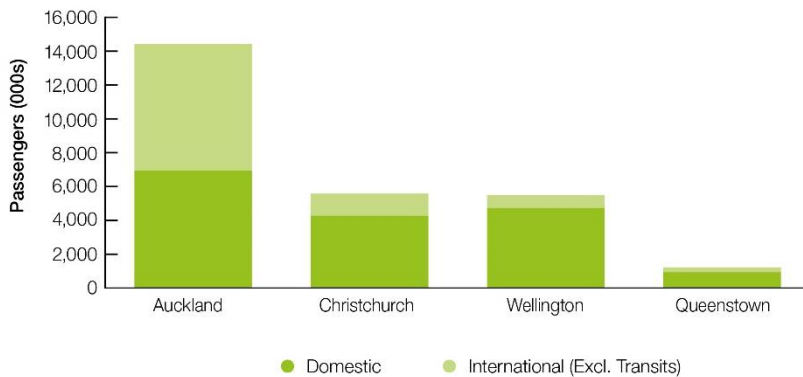


# New Zealand's busiest airport and our international gateway

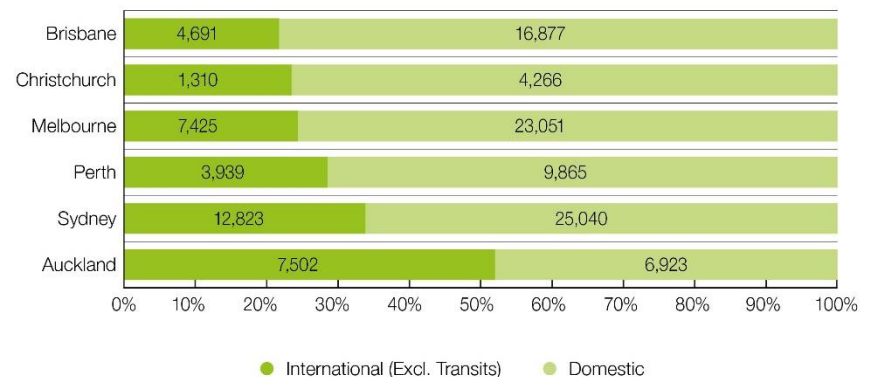


- Auckland Airport is the largest and busiest airport in New Zealand in terms of passenger movements and revenue.
- International passengers represented 53% of total passenger movements in the year to 30 June 2013, the highest proportion of all Australasian airports.
- Second highest number of international passengers in Australasia, second only to Sydney.

Total Passengers – New Zealand Airports



Comparison of International vs Domestic Passengers

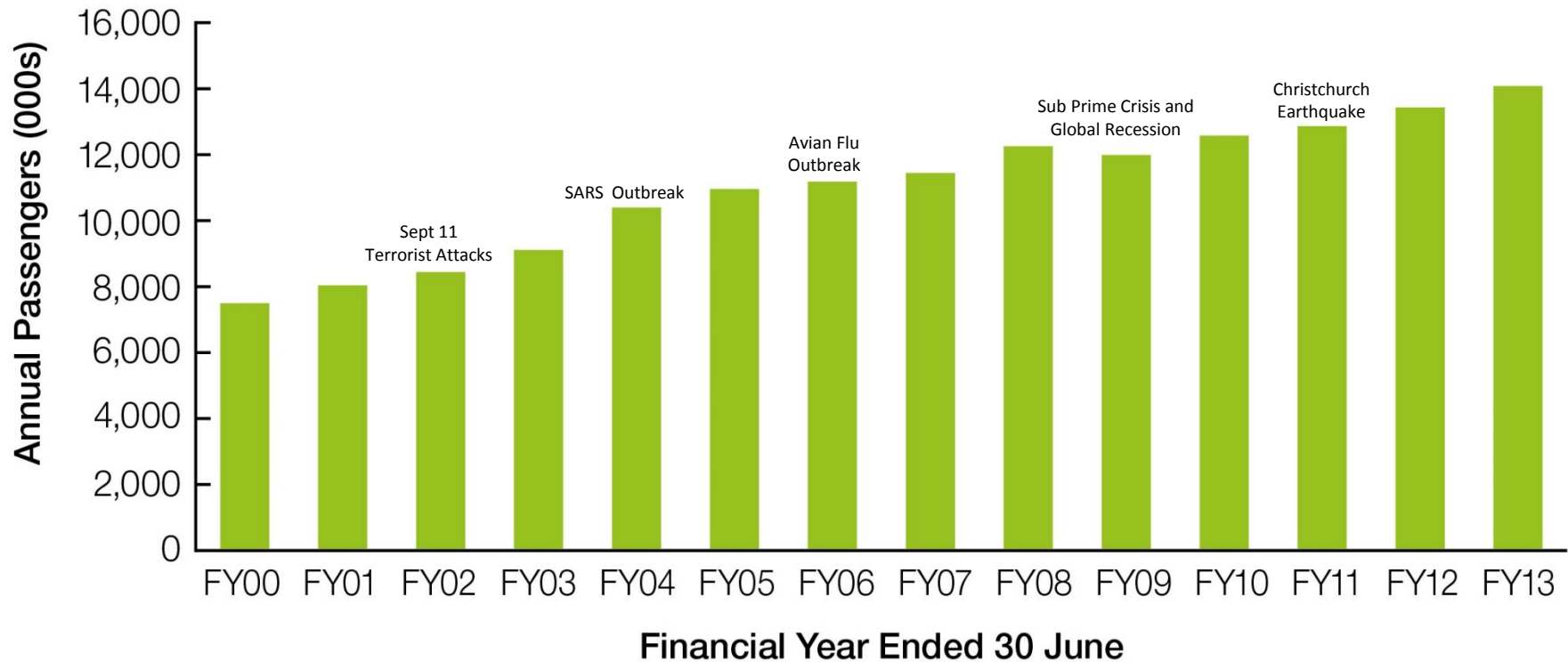


Source: Passenger information has been taken from each airport's monthly traffic update (via their individual websites) or from ACI Statistics for the 12 month period ending 31 December 2013.

# Historically Resilient Business

- The business has been resilient during times of stress in global economies and during times of external negative events.

## Total Passengers At Auckland International Airport (excl. Transit)



# Significant Land Holdings



- Auckland Airport owns approximately 1,500 hectares of freehold land.
- The land holding provides opportunities for expansion of aeronautical infrastructure and growth from rental income streams.

# Our Strategy – Faster, Higher, Stronger

GROW TRAVEL  
MARKETS

STRENGTHEN  
OUR  
CONSUMER  
BUSINESS

BE FAST,  
EFFICIENT  
AND  
EFFECTIVE

INVEST FOR  
FUTURE  
GROWTH



# Regulatory Environment

- Dual-till regime under the Commerce Act 1986 with information disclosure regulation
- Aeronautical till: faces limited competition and therefore is subject to disclosure regulation
- Non-aeronautical till: open market competitive forces
- Airport Authorities Act 1966 provides for and requires:
  - Airports to set charges
  - Consult on aeronautical charges at least every five years
  - Consult on capex decisions exceeding 20% of aeronautical asset base
- New disclosure regime includes monitoring of service standards, asset availability, capital expenditure plans, efficiency of pricing and return on investment.
- New Zealand Commerce Commission provides monitoring of the information disclosure regulatory regime.
- Merits appeal outcome has not impacted Auckland Airport's 56G report as the outcome "would likely bring the Commission's estimate of Auckland Airport's target returns further within the range of acceptable returns"<sup>1</sup>
- Appeal has also resulted in the Commission announcing its intention to do further work on whether it should amend the 75th WACC percentile for regulated industries.

# A performance update



## Auckland International Airport Limited (Parent)

- Net profit after tax of \$183.6 million for year to 30 June 2013 (up 28.4% from 2012)
- Underlying profit of \$160.9 million for the year to 30 June 2013 (up 12.7% from 2012).
- Passenger growth has continued at Auckland Airport – 5.5% international passenger growth, 4.3% domestic passenger growth in the financial year to date at 28 February 2014.
- Our vision for the next 30 years was released showing a stageable, affordable and flexible pathway for growth<sup>1</sup>
- Best Airport in Australia Pacific for the 6<sup>th</sup> year in a row in Skytrax <sup>2</sup>

1. See [www.airportofthefuture.co.nz](http://www.airportofthefuture.co.nz)

2. 2014 Skytrax awards announcement – 27 March 2014

# Five year results overview

<b>Auckland International Airport Limited (Parent only)</b>	<b>30 June 2013 \$'000</b>	<b>30 June 2012 \$'000</b>	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>	<b>30 June 2009 \$'000</b>
Revenue	469,146	441,089	411,625	369,300	368,313
Expenses	117,624	108,537	99,526	86,802	88,881
<b>Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)</b>	<b>351,522</b>	<b>332,552</b>	<b>312,099</b>	<b>282,498</b>	<b>279,432</b>
Gain on sale of associates	-	-	1,240	-	-
Plant, property and equipment revaluation	-	-	(63,465)	-	-
Investment property fair value increase/ (decrease)	23,091	1,350	21,640	9,469	(64,586)
Derivative fair value increase / (decrease)	1,473	(2,148)	3,503	-	-
Share of profit of associates	-	-	-	890	949
Costs relating to ownership proposals	-	-	-	-	-
<b>Earnings before interest expense, taxation and depreciation (EBITDA)</b>	<b>376,086</b>	<b>331,754</b>	<b>275,017</b>	<b>292,857</b>	<b>215,795</b>
Depreciation	62,053	64,483	56,843	55,736	54,766
Interest expense and other financial costs	66,689	68,958	70,417	71,938	75,590
Taxation expense	63,763	55,313	42,042	130,366	43,696
<b>Reported net profit after taxation</b>	<b>183,581</b>	<b>143,000</b>	<b>105,715</b>	<b>34,817</b>	<b>41,743</b>
<b>Underlying profit</b>	<b>160,853</b>	<b>142,666</b>	<b>130,163</b>	<b>110,174</b>	<b>106,035</b>
<b>Capital expenditure</b>	<b>93,471</b>	<b>83,141</b>	<b>74,774</b>	<b>54,290</b>	<b>87,593</b>

# Passenger Volume Growth and Volatility



Auckland Airport	30 June 2013	30 June 2012	% Change
International passengers (excl. Transits)	7,317,324	7,193,975	1.7
Transit movements	438,354	575,232	(23.8)
<b>Total international passengers</b>	<b>7,755,678</b>	<b>7,769,207</b>	<b>0.2</b>
Total domestic passengers	6,760,537	6,236,915	8.4
<b>Total passengers</b>	<b>14,516,215</b>	<b>14,006,122</b>	<b>3.6</b>



<b>FY02 – FY13 CAGR</b>	<b>AIAL</b>
International	3.7%
Domestic	5.9%
<b>Total</b>	<b>4.6%</b>

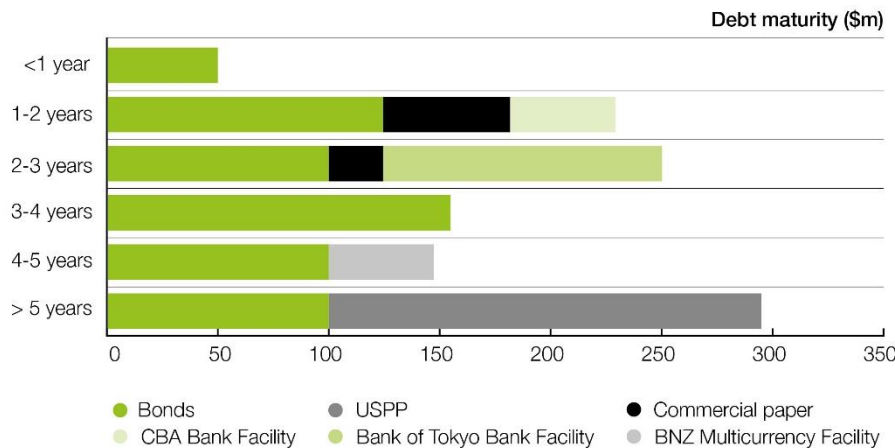
<b>Standard Deviation</b>	
International	4.5%
Domestic	5.3%
<b>Total</b>	<b>4.0%</b>
<b>Coefficient of Variation</b>	<b>0.86</b>

# Auckland Airport borrowings

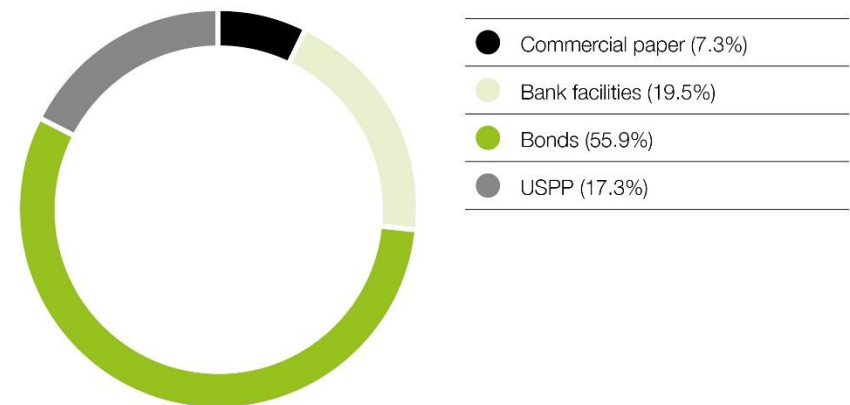
- Auckland Airport currently utilises a mixture of NZ DCM term bonds, bank facilities, USPP notes, commercial paper and money market facilities.
- As at 30 June 2013, Auckland Airport had:
  - \$1.127 billion total drawn debt
  - \$193 million committed but undrawn facilities
- Average interest rate for FY13 = 6.2%
- Average term to maturity of drawn debt as at 30 June 2013 = 4.21 years
- Bond programme supported by a master trust deed.

# Auckland Airport borrowings

Debt Maturity Profile – As At 30 June 2013



Borrowings By Category



The Bank of Tokyo standby facility and the CBA multi currency bank facility both support the commercial paper programme (current balance of \$81.709 million as at 30 June 2013) through the availability of same-day draw-downs and provide liquidity backing for general working capital. As the commercial paper is supported by the bank facilities the debt maturity profile chart as at 30 June 2013 includes the commercial paper in the one to two year and two to three year brackets, matching the maturities of the supporting facilities.

# Capital Return – Rational

- Auckland Airport has been reinvesting surplus cash flows in the business to drive growth
- This investment and strong execution has significantly improved profitability over the last five years
- Key credit metrics have strengthened beyond historic levels
- In effect shareholders now hold a significantly higher proportion of the Company's funding
- Capital return of \$454m to be paid on 14 April
- Bridge facilities in place to provide initial funding
- Floating rate bonds will reduce the initial bridge drawdown. Other long term funding plans are underway

# Key credit metrics

<b>Auckland International Airport Limited (Parent only)</b>	<b>30 June 2013</b>	<b>30 June 2012</b>	<b>30 June 2011</b>	<b>30 June 2010</b>	<b>30 June 2009</b>
S&P Long-term credit rating	A- (Positive)	A- (Stable)	A- (Stable)	A- (Stable)	A- (Stable)
FFO / average net debt	20.7%	19.8%	19.2%	15.7%	15.4%
FFO interest cover	4.31	4.02	3.85	3.29	3.12
Total Borrowings (\$m)	1,141.9	1,108.7	1,084.6	1,092.0	1,076.7
Fixed Borrowings (after swaps)	66.3%	66.3%	63.5%	73.7%	78.5%
Debt/Debt + equity (%)	31.1%	30.8%	30.5%	36.2%	36.9%
Debt/EBITDAFI (times)	3.25	3.33	3.48	3.87	3.85
EBITDAFI interest cover (times)	5.10	4.70	4.36	3.82	3.52

- Credit metrics strong.
- Following the Auckland Airport 2012 annual results including the announcement of increased dividend policy, Standard & Poor's confirmed its rating of Auckland Airport at A- and upgraded its outlook to Positive (from Stable).
- Following the announcement of the capital return, S&P affirmed Auckland Airports issuer rating of A- and revised the outlook to stable.
- S&P also assessed Auckland Airports "anchor rating" as A flat.



