

18 August 2016

## Minor correction to 2016 half year results presentation

An error has been identified on slides 9 and 10 of the 2016 half year results presentation. The attached presentation is now consistent with the Appendix 4D and 2016 half year accounts released today.

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**Sydney Airport**



**HALF YEAR RESULTS 2016**

18 AUGUST 2016



# Disclaimer



## General securities warning

This presentation has been prepared by Sydney Airport Limited (ACN 165 056 360) ("SAL") in respect of ASX-listed Sydney Airport ("SYD"). SYD is comprised of the stapled entities SAL and Sydney Airport Trust 1 (ARSN 099 597 921) ("SAT1"). The Trust Company (Sydney Airport) Limited (ACN 165 967 087/ASFL 301662) ("TTCSAL") is the responsible entity of SAT1.

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Sydney Airport advises that on 3 August 2016 foreign ownership was 29.9%.

# Agenda

- 1 Performance metrics
- 2 Highlights
- 3 Distribution
- 4 Operational growth
- 5 Financials
- 6 Balance sheet metrics
- 7 Aviation macro environment
- 8 Passenger growth
- 9 Investment
- 10 Commercial business growth
- 11 Western Sydney Airport update
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# Excellent performance for 1H16



## Key metrics



**20.3m**

Total passengers

International  9.3%  
Domestic  5.3%



**\$536.1m**

EBITDA



**15.0c**

1H16 distribution

Net operating receipts  19.2%



## Continued momentum in first half 2016

1

### Superior traffic and business performance

- ✓ Full year distribution guidance upgraded to 31 cents per stapled security, growth of 21.6%
- ✓ Total of 20.3 million passengers in first half 2016, up 6.7%. International passenger growth well ahead of long run average
- ✓ Total revenue growth of 11.3%, strong growth across all businesses
- ✓ Operating margins broadly unchanged, despite T3 costs and step up in service standards

2

### Successful business step changes

- ✓ Successful T3 transaction, terminal running smoothly, passengers growing and financials outperforming our expectations
- ✓ Significant international aeronautical agreement achievements, including significant step change in service levels
- ✓ Strong duty free revenue contribution, five of six stores complete and open in T1
- ✓ Online car parking continues to grow, driving higher asset utilisation
- ✓ Issued a \$1.2 billion 10 year US144A/RegS bond at an all-in rate of 4.9%

3

### Sustainability strategy

- ✓ Development of a new strategy to position Sydney Airport as an industry leader in sustainability
- ✓ Awarded “Leading” rating by ACSI for sustainability reporting
- ✓ Membership of the Green Building Council of Australia
- ✓ Launch of a supplier diversity program, with an initial focus on supporting Indigenous businesses through our membership of Supply Nation

# Distribution guidance upgrade

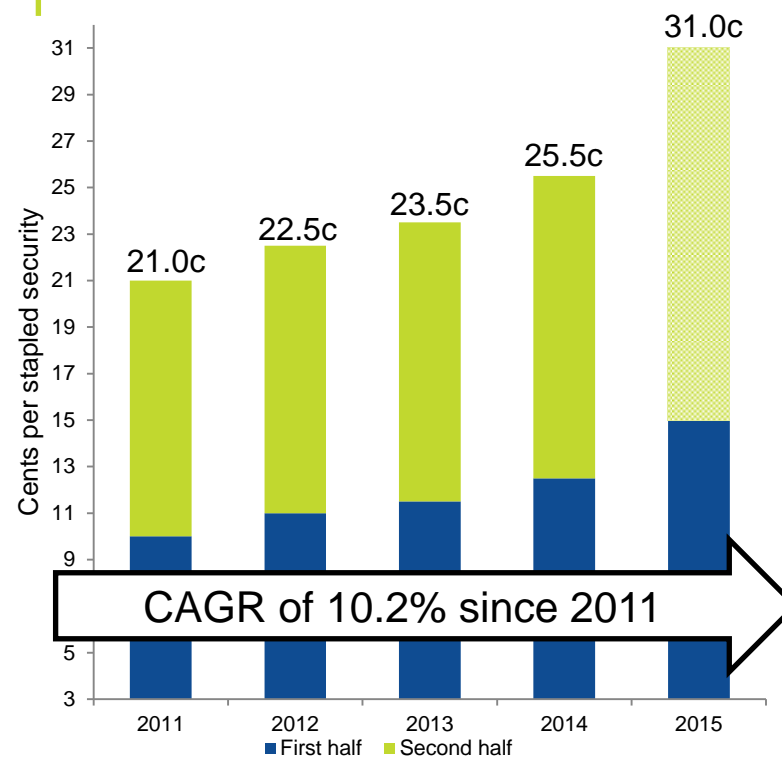


2016 full year distribution guidance upgraded to 31 cents;  
21.6% growth on 2015 distribution

## Distributions

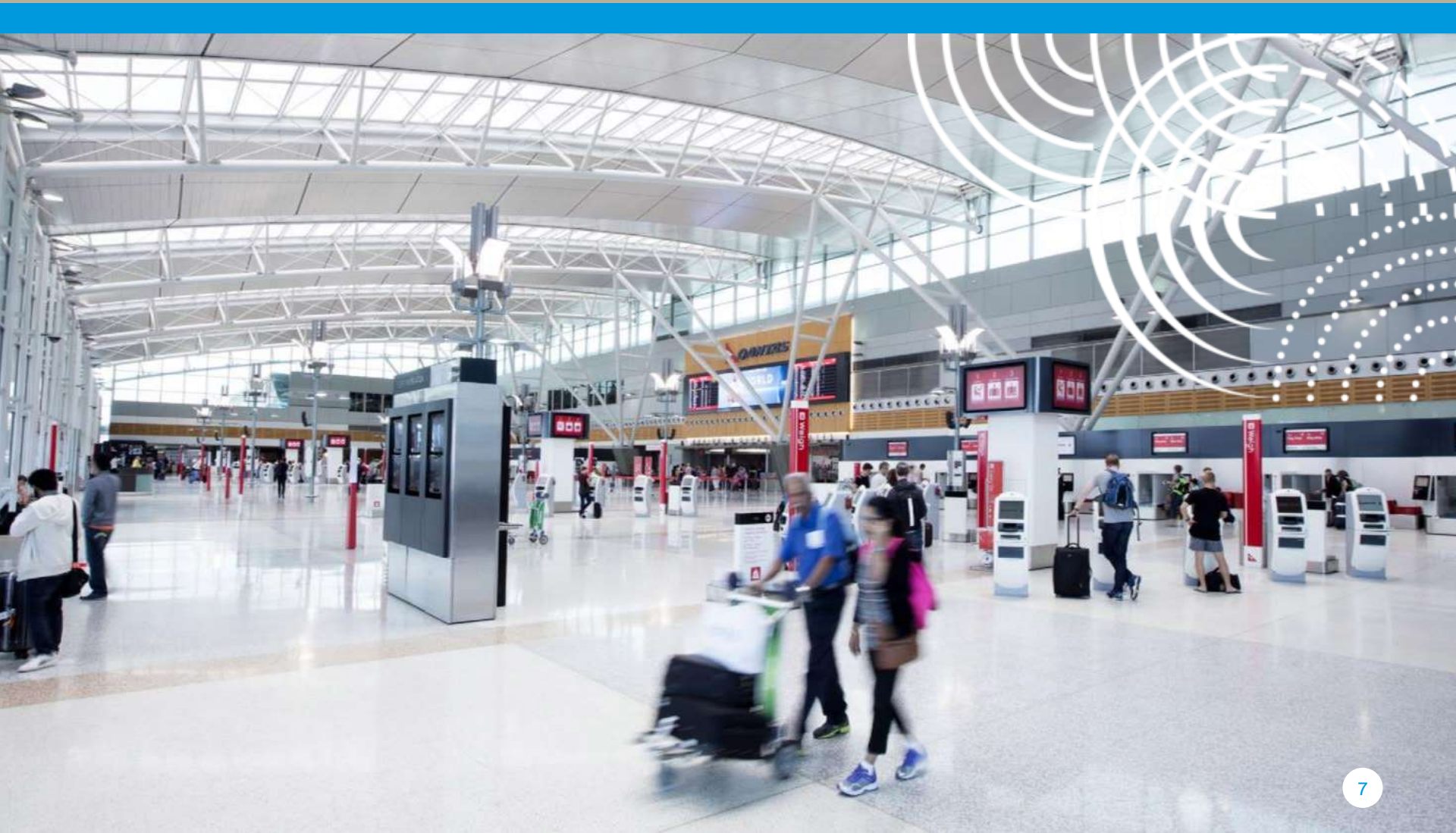
- **2016 guidance upgraded to 31 cents per stapled security (cps)**
  - Up 21.6% on 2015 distribution
  - Expected to be fully covered by net operating receipts
  - Guidance subject to aviation industry shocks and material forecast changes
- **2016 interim distribution 15.0 cps**
  - Up 20.0% on 2015 interim distribution
  - Paid 12 August 2016
  - Distribution reinvestment plan operated with 1.5% discount
  - Investor take up 43% with cash raised to fund investment and provide future financial flexibility

## Five years of strong distributions





# Financial results





# Operational growth



Growth across all businesses, with exceptional performance from aeronautical and retail



Business	1H16 highlights	Revenue \$m	Revenue contribution	Revenue growth
<p><b>Aeronautical services</b></p>	<ul style="list-style-type: none"> <li>9.3% international and 6.7% total passenger growth</li> <li>Strong capacity growth and load factors maintained</li> <li>Capital investment program supporting passenger experience, airline operating efficiencies and capacity expansion to meet demand</li> </ul>	<b>337.3*</b>	<b>51%</b>	<b>17.0%</b>
<p><b>Retail</b></p>	<ul style="list-style-type: none"> <li>Five of six duty free stores complete and open in T1, with the remaining store scheduled to open 2H16</li> <li>Eight of 13 outlets in the new fashion precinct now open, with the remainder scheduled to be open 1Q17</li> <li>New Marketplace dining precinct scheduled to open progressively from mid-October, including seven new dining concepts</li> </ul>	<b>142.3</b>	<b>21%</b>	<b>9.5%</b>
<p><b>Property and car rental</b></p>	<ul style="list-style-type: none"> <li>~220 leasing transactions complete, 98.6% occupancy rate</li> <li>Northern lands bridge opened, at grade car parking utilised for staff</li> <li>Domestic hotel construction commenced, expected opening mid 2017</li> </ul>	<b>103.2</b>	<b>16%</b>	<b>2.2%</b>
<p><b>Parking and ground transport</b></p>	<ul style="list-style-type: none"> <li>Online parking take up continues to drive higher asset utilisation</li> <li>Free pick-up expanded and more pick up options for ridesharing services announced at T2/T3 precinct</li> <li>Next phase of five year ground access plan delivered</li> </ul>	<b>75.4</b>	<b>11%</b>	<b>4.4%</b>

\* Includes aeronautical security recovery

# Statutory income statement



Statutory income growth driven by EBITDA growth and finance cost savings



\$ MILLION	1H16	1H15
Total revenue	661.9	594.8
Total expenses	(125.8)	(106.5)
Profit before depreciation, amortisation, finance cost and income tax (EBITDA)	536.1	488.3
Depreciation and amortisation	(172.4)	(141.1)
Profit/(loss) before net finance costs and income tax (EBIT)	363.7	347.2
Net finance costs	(201.8)	(213.1)
Profit before income tax benefit/(expense)	161.9	134.1
Income tax (expense)/benefit	(2.3)	(0.2)
Profit after income tax benefit/(expense)	159.6	133.9
Profit attributable to non controlling interests	0.4	0.7
Net profit attributable to security holders	<b>160.0</b>	<b>134.6</b>

# Profit to net operating receipts reconciliation



20% distribution growth for the half year; full year distribution expected to be covered by net operating receipts



\$ MILLIONS	1H16	1H15
Profit before income tax (expense)/benefit	161.9	134.1
Add back: depreciation and amortisation	172.4	141.1
Profit before tax, depreciation and amortisation	334.3	275.2
Add/(subtract) non-cash financial expenses - Capital index bonds capitalised	8.5	7.3
- Amortisation of debt establishment costs	10.6	11.9
- Borrowing costs capitalised	(4.6)	(4.5)
- Fair value adjustment to swaps	(13.6)	(8.2)
Total non-cash financial expenses	<b>0.9</b>	<b>6.5</b>
Add/(subtract) other cash movements - Movement in cash balance with restricted use	10.8	6.1
- Other	(13.1)	(8.4)
Total other cash movements	<b>(2.3)</b>	<b>(2.3)</b>
Net operating receipts	<b>332.9</b>	<b>279.4</b>
Average stapled securities on issue (m)	<b>2,229.5</b>	<b>2,216.2</b>
Net operating receipts per stapled security	<b>14.9c</b>	<b>12.6c</b>
<b>Distributions declared per stapled security</b>	<b>15.0c</b>	<b>12.5c</b>

# Operating margins maintained while increasing service standards



Cost growth attributable to significant increase in service standards and T3 transaction

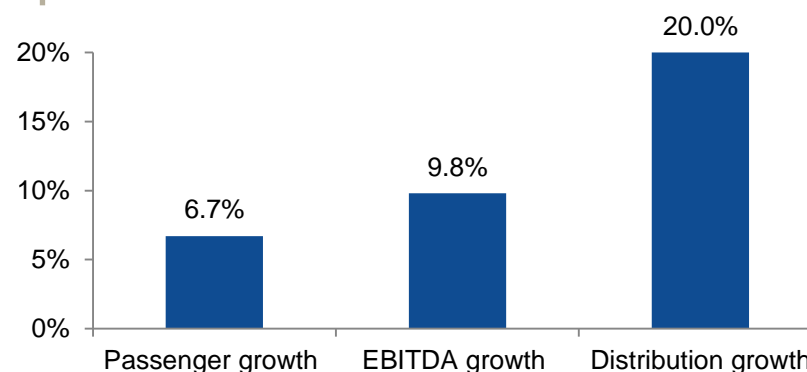
## Operating margin performance

- Operating margin remains broadly unchanged at 81% for the half (82% in pcp) despite the step up in costs associated with the increase in service standards and T3 transaction
- Operating leverage further enhanced in second half reflecting the step up of international aeronautical prices by 4.8%

## Costs prudently managed

- Underlying costs increased 5.9%, growing with CPI plus a small margin and passengers
- As flagged in February, one off cost of \$15 million for full year 2016, associated with T3 and the step up in terminal service standards

## Business leverage



## Underlying opex

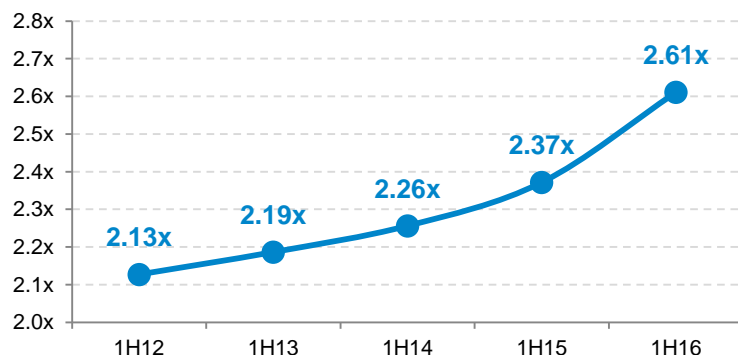
Expenses	\$ millions
Total expenses	125.8
FY16 opex step up of \$15m due to improved terminal standards as part of IAA and T3 - \$13m in 1H16	13.0
Total expenses normalised for one off step ups	112.8
Normalised cost growth, growing with CPI and passengers	5.9%

# Continued de-risking of balance sheet

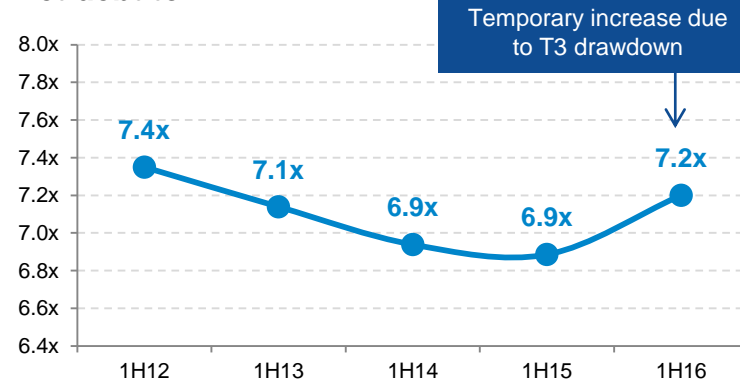


Strong interest coverage improvement  
Continued diversification in offshore bond markets

## Interest coverage (CFCR)



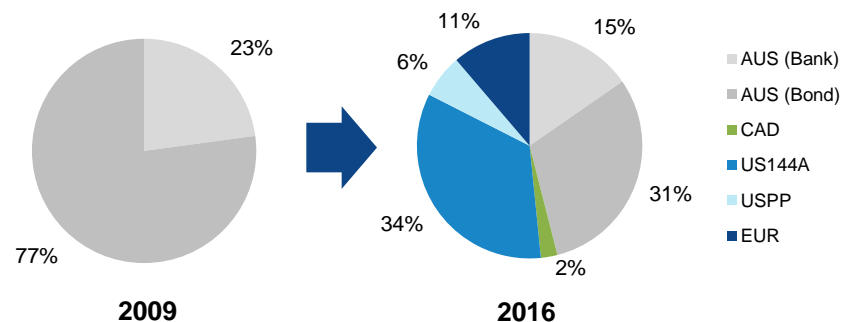
## Net debt to EBITDA<sup>1</sup>



## 30 June 2016 metrics

Net debt	\$7.6bn
Net debt \ EBITDA <sup>1</sup>	7.2x
CFCR	2.6x
Credit rating	BBB/Baa2
Next drawn maturity	2H 2018 <sup>2</sup>
Average maturity	2023
Average cash interest rate <sup>3</sup>	5.3%
Spot interest rate hedge position	91%

## Debt portfolio diversification



Debt metrics calculated for SCACH:

- Ratio temporarily impacted by partial debt funding of T3 transaction in September 2015 without full annual EBITDA benefit; is expected to normalise following one year of operation
- \$87 million maturing in 2017 was repaid on 15 August with the proceeds of the DRP
- Excludes capitalised interest, fair value of swaps and amortisation of debt establishment and other costs

# Successful US144A/RegS bond issuance



Significant liquidity unlocked with funding objectives exceeded

## Optimised pricing

- ✓ Pricing inside current portfolio average
- ✓ 100% hedged currency and interest rate exposures

## Spread and lengthened maturity profile

- ✓ Average maturity lengthened by five months
- ✓ Profile spread and lengthened with gap filled in 2026

## Diversified funding sources

- ✓ Significant allocation to new investors
- ✓ Increased presence in deep offshore bond markets

## De-risked debt maturity profile

## Maintained capacity for future raisings

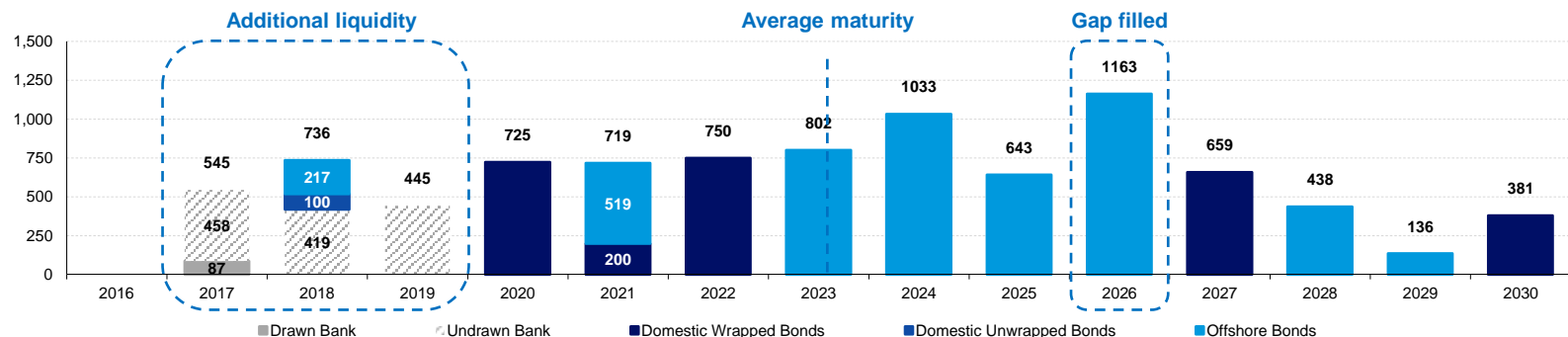
- ✓ Significant oversubscription
- ✓ Successful return to US144A market sets a well priced benchmark for future issuance

## Minimised execution risk

- ✓ Proactive approach reduces drawn debt maturities over the next four years by over 75%

## Maintained BBB/Baa2 credit rating

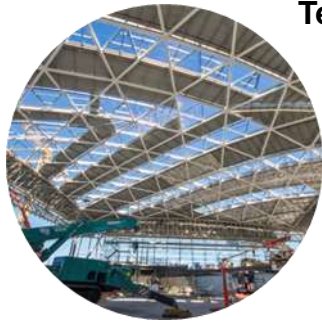
- ✓ BBB/Baa2 credit rating maintained



# Investing in capacity and customer service improvements



200 major capital projects currently underway, to expand capacity to improve the passenger experience



## Terminal 1

- International terminal redevelopment and expansion, providing improved passenger experience, seating, greater retail offerings and new Marketplace dining area
- Redeveloping gate lounges to streamline boarding processes



## Ground transport

- Expansion of Domestic multi-storey car park, 480 new spaces
- Commenced reconfiguration of Domestic departures road, five lanes, improving traffic flow
- International precinct new Marsh St entry construction commenced
- New Domestic pick up strategy developed and due to commence in September



## Baggage

- Additional baggage make up loops to increase capacity of the outbound baggage handling system
- Upgrade of baggage reclaim hall to improve reliability of passenger experience
- Enhancement of check-in counter B East, with additional baggage handling facilities



## Bussing

- Expansion of the International terminal bussing capability, two new arrivals bussing lounges and an expanded departures lounge increasing capacity



## Airfield

- Taxiway widening and airfield resheet, increasing capacity and accommodating larger, next generation aircraft
- Ongoing renewal of the airport security perimeter fence to improve airside security



## Check-in

- Expansion of check-in counter A and pier B east in International departures to provide 6 additional check-in counters

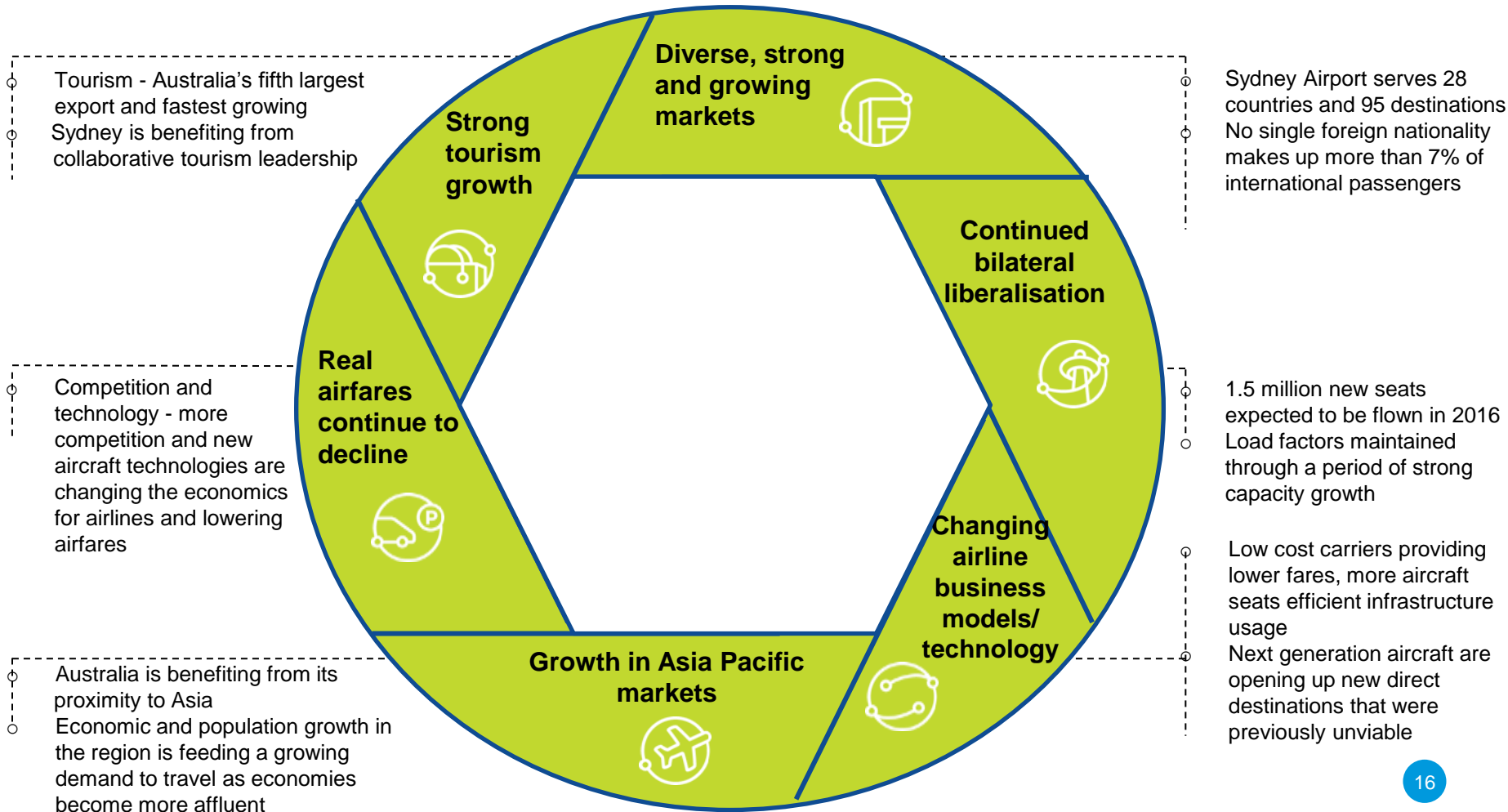




# Aviation macro environment supporting strong growth



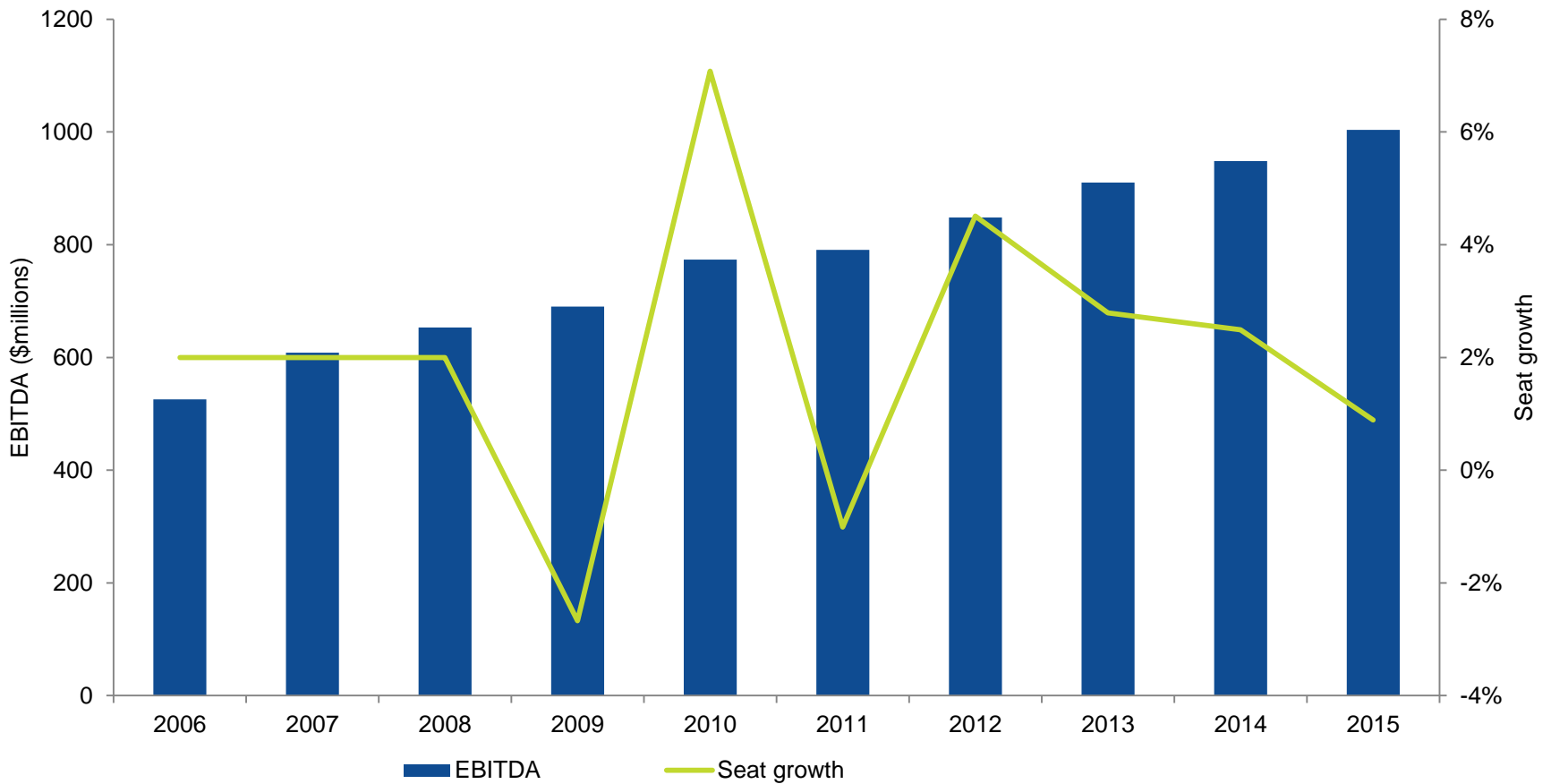
Attractive macro economic conditions supporting strong passenger growth



# Delivering growth through resilience in all economic cycles



Sydney Airport has a long track record of delivering solid EBITDA growth, even in periods of lower seat growth



# First half 2016 passenger growth



Capacity increases and strong load factors from new and existing airlines drove 1H16 passenger growth



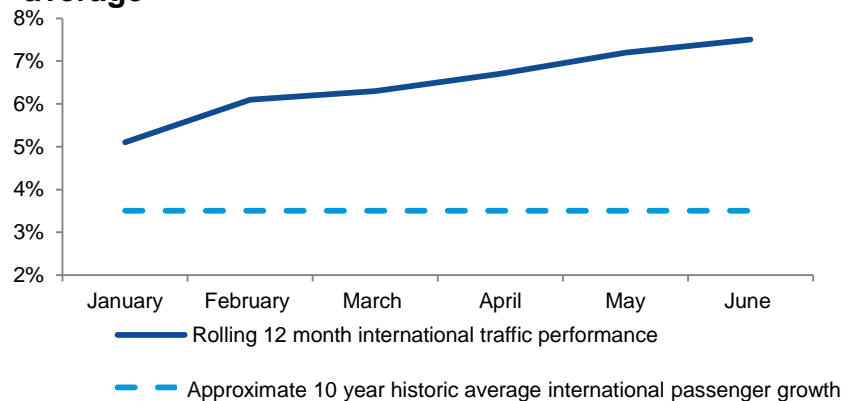
## Drivers of growth in 1H16

- Strong international growth driven by capacity increases and stable or growing load factors
- Performance again driven by strong Australian outbound demand, broad base of Asian nationalities and more traditional markets
- New seat capacity announcements during the half
  - Air Vanuatu - 5,000
  - China Airlines - 18,540
  - Hainan - 156,000
  - Qantas - 149,000
  - Qatar - 133,000
  - Xiamen - 20,500

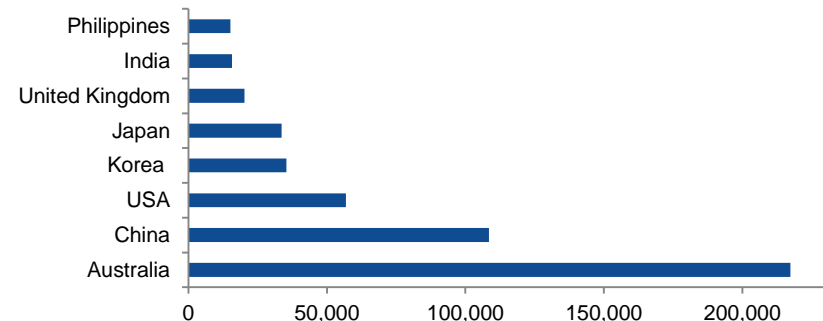
## Fastest growing nationalities in 1H16

NATIONALITIES	GROWTH
Japan	+25.7%
Philippines	+23.7%
Korea	+21.1%
China	+19.6%
Vietnam	+19.5%
USA	+16.2%
Thailand	+12.7%

## International passenger rolling 12 month performance now 7.5%, significantly above historic average



## Largest market growth in 1H16 by absolute passenger numbers



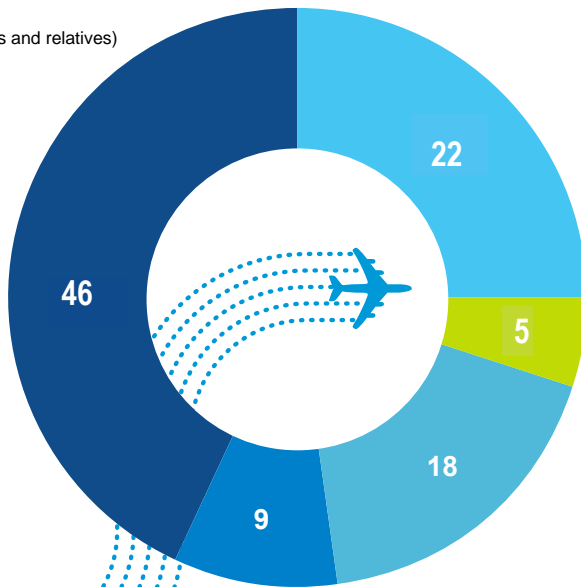
# Highly diversified passenger and destination mix



Significant diversity in passenger nationalities and destinations served by Sydney Airport

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

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



## Foreign nationality breakdown (%)

- Foreign (47)
- Australian (53)



## Australian destination breakdown (%)

- Australian (53)
- Foreign (47)





# Driving business growth



# Specialty and food and beverage expansion



Passengers embracing new repositioned retail product; with positive sentiment and revenue growth

## Key revenue contributors

- Strong duty free revenue contribution; five of six duty free stores complete and open in T1, with the remaining store scheduled to open 2H16
- Eight of 13 outlets now open in the new T1 fashion precinct, with the remainder scheduled to open progressively by 1H17
- Newly refurbished seven stores in T2 food court deliver 50% uplift in revenue

## Future growth opportunities

- New T1 Marketplace precinct is leased with seven new food and beverage outlets to commence trading 4Q16
- Seven new contemporary eateries in Pier C, including first to airport and Australia offerings, scheduled opening end of 2016
- Completion of further T2 food court refurbishment and additional leasing





# Property targeting new business opportunities



Property delivers a strong underlying growth of 5.7%, following T3 transaction

## Key revenue contributors

- Over 200 leasing transactions completed with 98.6% occupancy airport-wide
- Strong revenue contribution from car rental operators
- Construction commenced on the new hotel in the T2/T3 precinct to be managed by Mantra, completion expected mid 2017

## Future growth opportunities

- Hotel strategy expanded, with further opportunities in both T1 and T2/T3 precincts contemplated
- Exploring opportunities for development of aviation support and commercial facilities in under utilised sectors of the airport



# Car parking delivering growth through online booking and capacity expansion



Continued strong growth in online products driving more efficient asset utilisation

## Key revenue contributors

- Strong online penetration with 23% growth on pcp; online bookings now make up 38% of car parking revenue
- Strong international demand broadly in line with passenger growth
- Domestic demand impacted by space closures during construction, ground access changes and expansion of modal alternatives
- Demand management system optimising pre-booked pricing to efficiently manage demand

## Future growth opportunities

- Exploring future product and capacity expansion plans, to be delivered in line with demand
- 10% incremental capacity to be delivered in domestic and international precincts in 2017



# Investment in better access to and from the airport

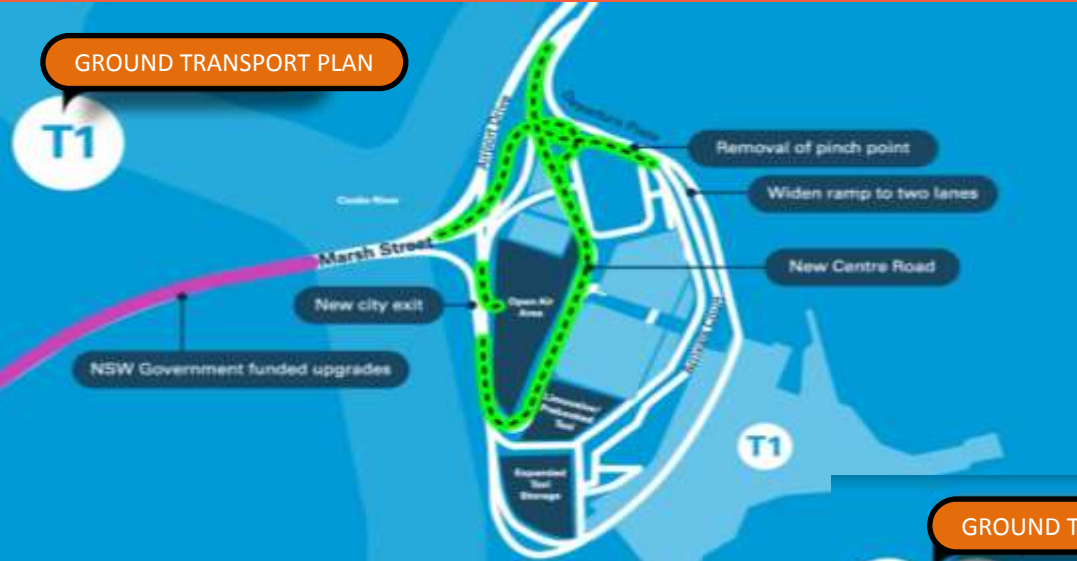


Access improvements commencing, more peak throughput inbound and outbound, significantly more to come



## GROUND TRANSPORT PLAN

T1



## GROUND TRANSPORT PLAN

T2 T3

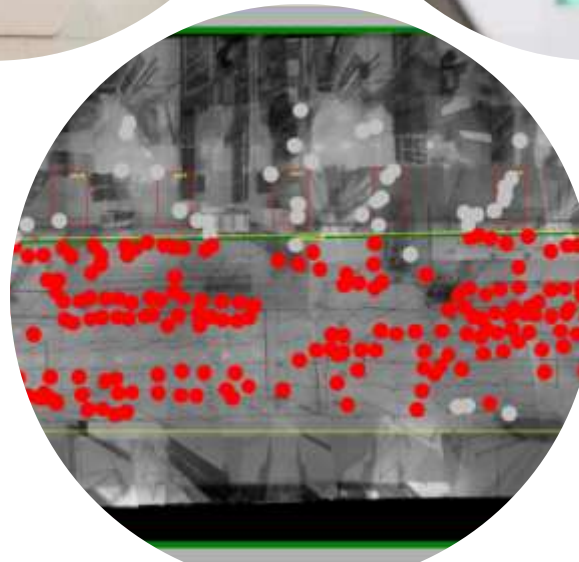
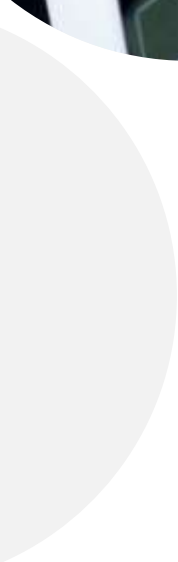




# Innovation delivering superior customer experience and improved airline operations



Capacity pinch points being alleviated by technology



# Outlook





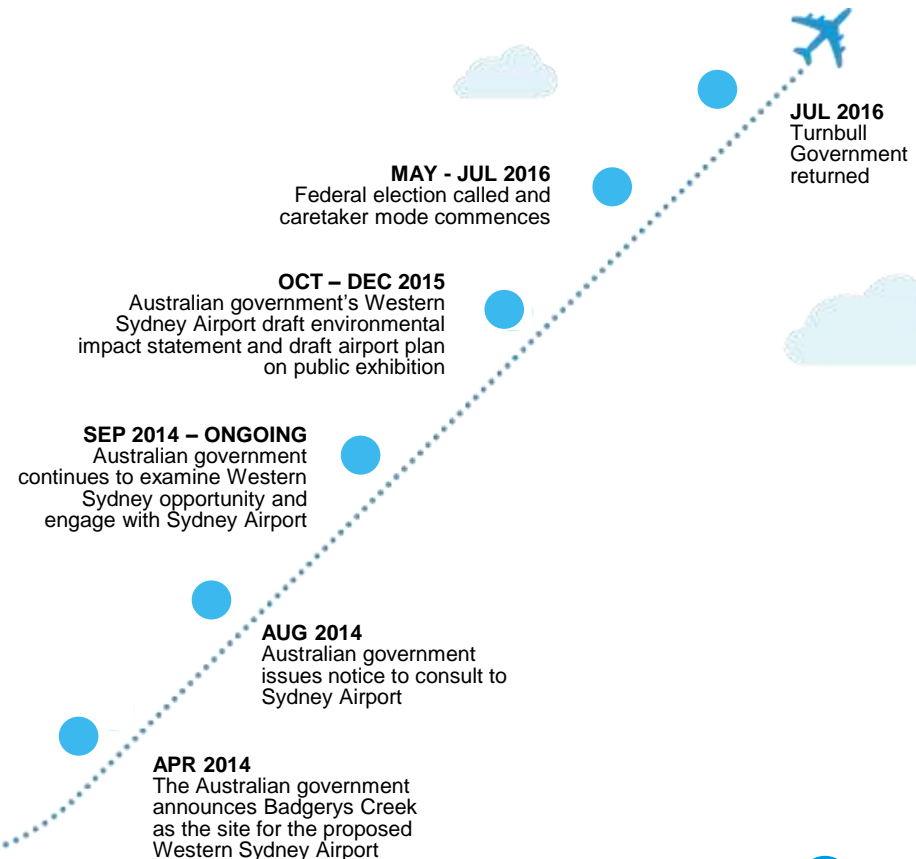
Sydney Airport continues to examine the opportunity to develop and operate the Western Sydney Airport (WSA)

## Internal evaluation of the WSA opportunity is ongoing, focus remains on key commercial and investment parameters

- Caretaker mode for the period from May to July federal election
- Government expects to finalise the WSA EIS and Airport Plan in 2016
- Government has indicated it expects to deliver an NOI to Sydney Airport in 2016
- Broad-based community and bipartisan political support remains for the project

## Western Sydney – road and rail infrastructure

- The first road projects of the 10 year \$3.6 billion Western Sydney Infrastructure Plan are now underway
- Rail corridor and station on the airport site are being investigated by government
- Australian and NSW governments have indicated they will release a joint scoping study of rail needs for Western Sydney later this year







Positioned well to deliver future operational and distribution growth; distribution upgraded to 31 cps, growth of 21.6%



## Macro environment

- ✓ Supportive macro environment
- ✓ Strong Australian and Sydney tourism market
- ✓ Benefiting from proximity to Asia and growing Asia Pacific markets
- ✓ Growing Sydney population

## Strategic initiatives

- ✓ Successful airline marketing strategy has delivered sustainable capacity from wide range of markets
- ✓ Successful implementation of investment program linked to increased aeronautical pricing of 4.8%
- ✓ Successful T3 transaction and integration
- ✓ Strong operational growth across all businesses
- ✓ Lowered cost of debt

## Long term opportunities

- ✓ Investment program to accommodate demand and earn appropriate returns
- ✓ Growth initiatives across all businesses targeting long term yield expansion
- ✓ Western Sydney Airport first right of refusal opportunity



APPENDIX

**Sydney Airport**



# Investment merits



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

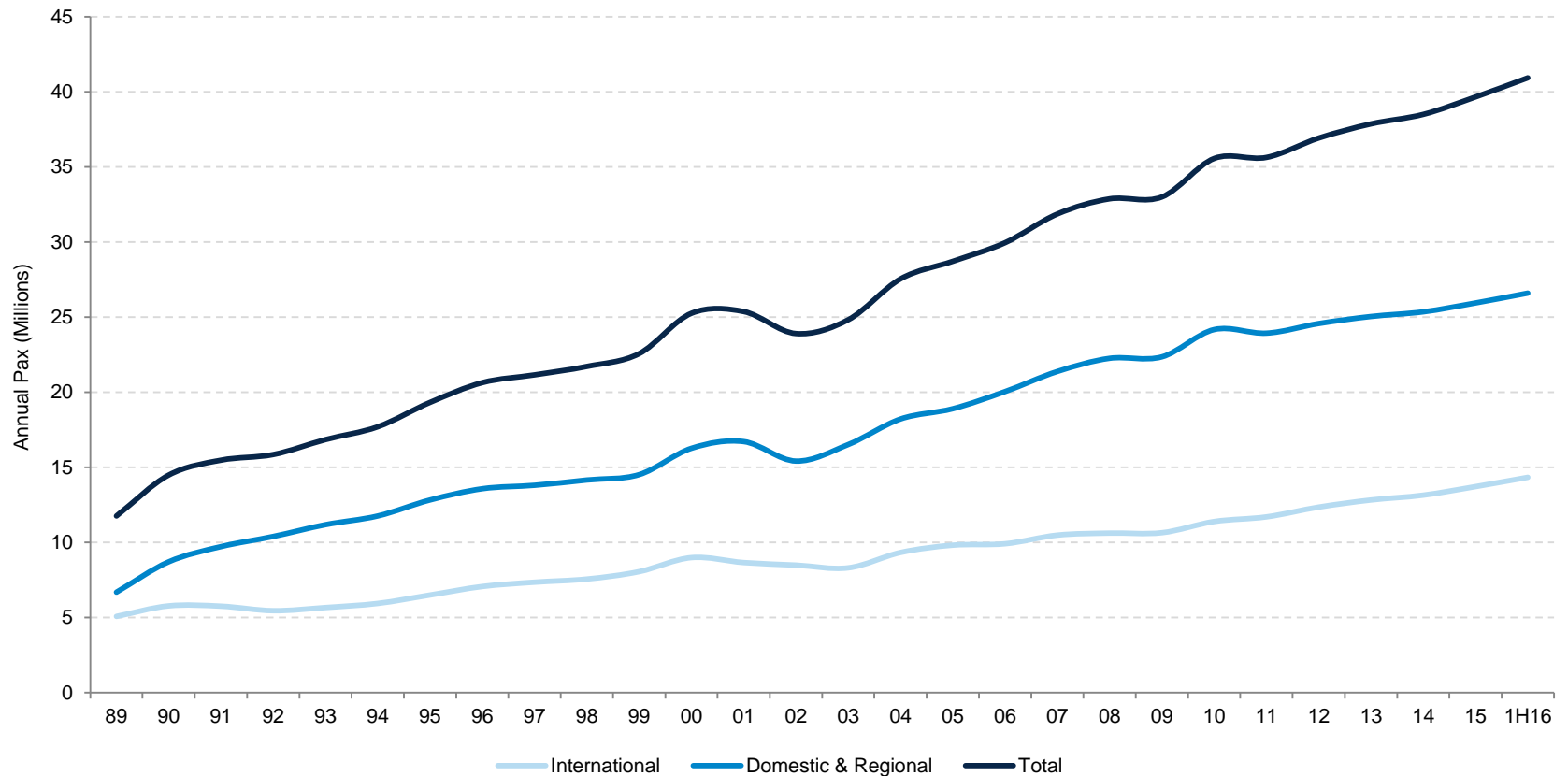


- |   |   |
|---|---|
| <b>99 year leasehold</b>                          | <ul style="list-style-type: none"><li>• Lease until 2097</li></ul>  |
| <b>Catchment area</b>                             | <ul style="list-style-type: none"><li>• Core catchment area of 5m people, 7.5m people in NSW</li></ul>  |
| <b>Strong passenger growth profile</b>            | <ul style="list-style-type: none"><li>• Sydney is both a business and tourism hub, in a growing NSW economy</li><li>• Strong Asian connections – increasing urbanisation</li></ul>  |
| <b>International passengers</b>                   | <ul style="list-style-type: none"><li>• Account for ~70% of passenger driven revenues but only 13% of available slots</li><li>• Significantly more valuable than domestic passengers</li></ul>  |
| <b>Commercial opportunities</b>                   | <ul style="list-style-type: none"><li>• Downside protections via minimum guarantee mechanism</li><li>• Investment required to meet strict hurdle rates of return</li></ul>  |
| <b>Light handed regulatory framework</b>          | <ul style="list-style-type: none"><li>• Direct agreements with airlines include contractually agreed charges increases</li><li>• Dual till principle enshrined in regulatory framework</li></ul>  |
| <b>Outsourced model</b>                           | <ul style="list-style-type: none"><li>• Controllable operating costs contracted and traffic relatively inelastic</li></ul>  |
| <b>Consistent growth and downside protections</b> | <ul style="list-style-type: none"><li>• Long term contracts with airlines and tenants</li><li>• CPI or higher escalation in retail and car parking revenues. CPI or market rent reviews for property</li><li>• Growth initiatives across all businesses</li></ul> |

# Long term traffic growth



Resilient passenger growth across all economic cycles



# Consistent track record of growth



Passenger growth



EBITDA growth

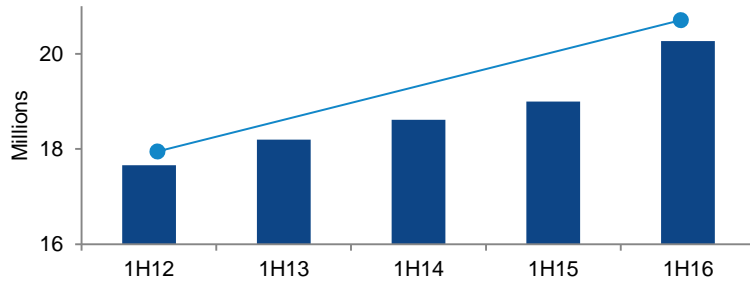


Cash flow outcomes

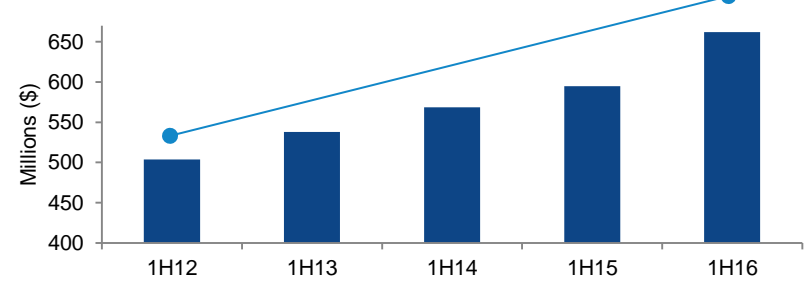


Investor returns

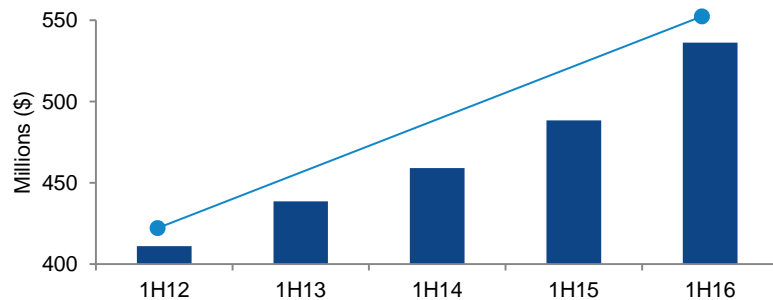
## Total passengers



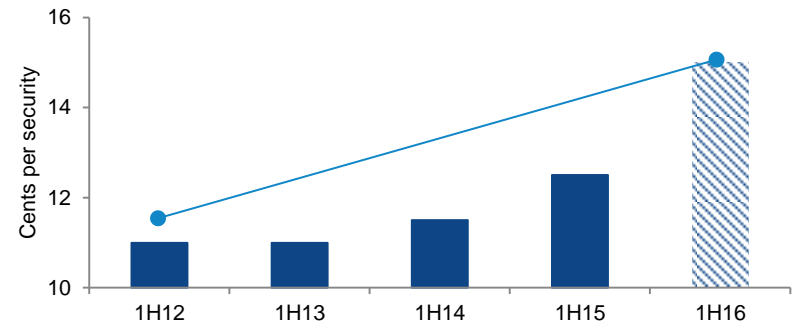
## Total revenue



## EBITDA



## Distributions



**Thank you  
for your attention**

