

# Full year results 2018

21 February 2019

**SYD**  
A I R P O R T

**Geoff Culbert**  
Chief Executive Officer

**Greg Botham**  
Chief Financial Officer



## 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 115 967 087/AFSL 301162) (“TTCSAL”) is the responsible entity of SAT1.

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Sydney Airport advises that on 21 January 2019 foreign ownership was 28.51%.

# Highlights

Strong performance delivered in 2018

**+2.5%**

total passengers  
44.4m

**+4.7%**  
international  
passengers

**+1.2%**  
domestic  
passengers

**+6.8%**

revenue

**\$1,584.7m**

**+9.4%**

net operating receipts

**\$860.9m**

**-0.3%**

total movements

**+4.4%**  
international  
movements

**-0.5%**  
domestic  
movements

**+7.2%**

EBITDA

**\$1,282.6m**

**+8.7%**

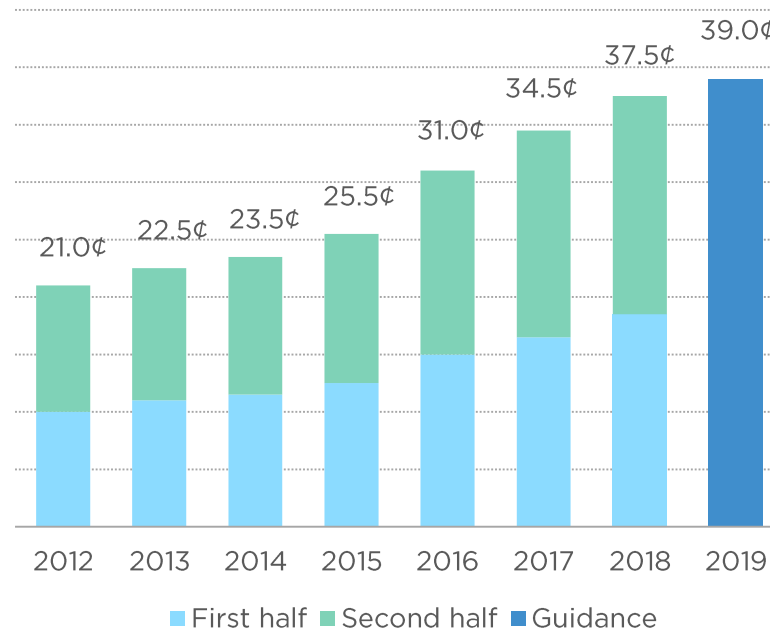
full year distribution  
per stapled security

**37.5¢**

## Sydney Airport delivers continuing distribution growth

- Full year distribution of 37.5 cents per stapled security for 2018. Final distribution of 19.0 cents paid 14 February 2019
- 2019 distribution guidance announced at 39.0 cents, expected to be more than fully covered by Net Operating Receipts in 2019
- Sydney Airport is approaching a cash income tax paying status. Subject to underlying operational performance and capital investment opportunities, Sydney Airport expects to commence paying cash income tax from the 2022 calendar year
- We expect future distributions to be fully covered by Net Operating Receipts over the tax transition period
- Future cash tax payments will give rise to franking credits and these will be efficiently distributed to investors
- Guidance subject to aviation industry shocks and material forecast changes

Distribution per stapled security



# Financial results



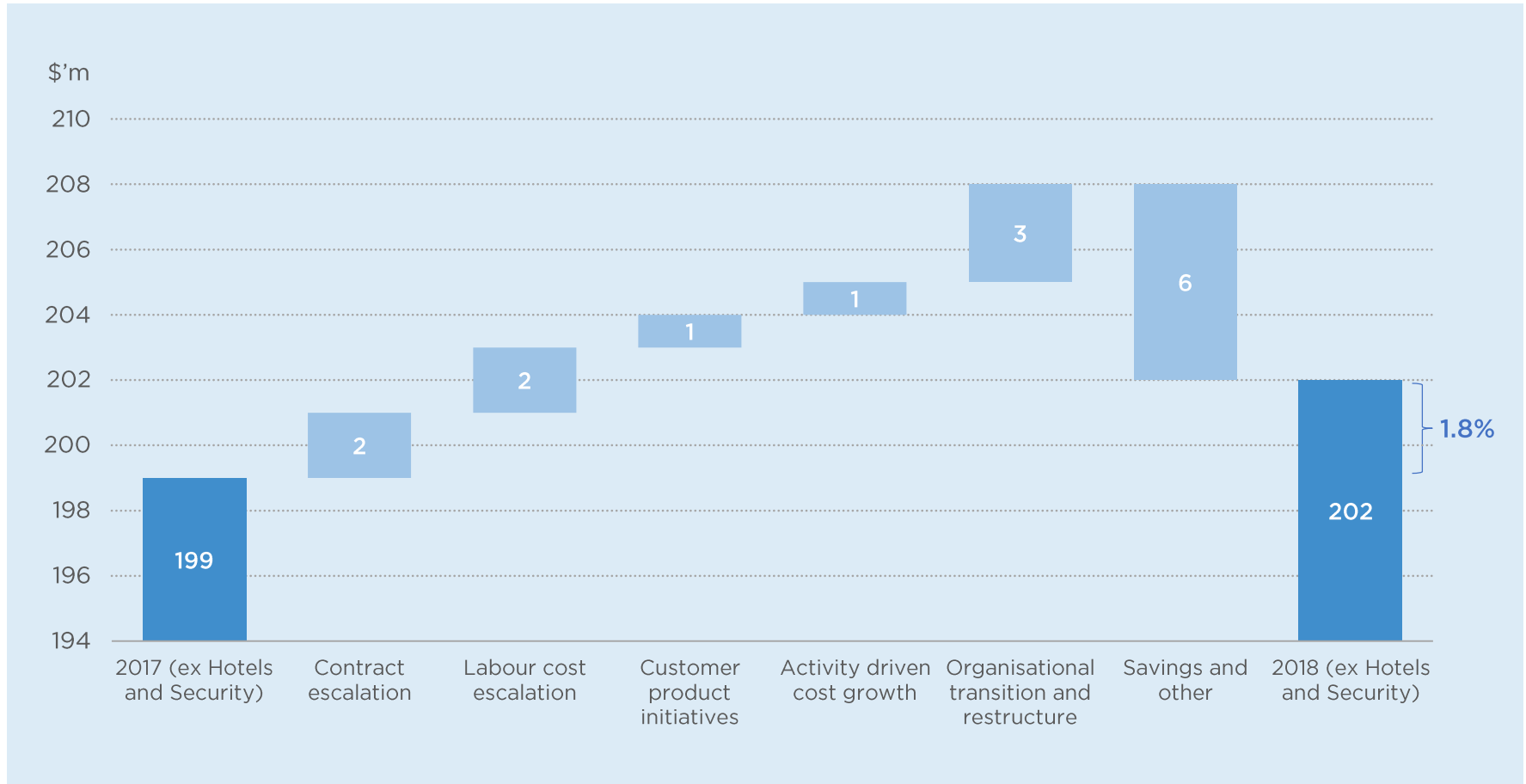
# Statutory income statement

Strong EBITDA growth and operating cost management driving statutory income growth

<b>\$ MILLIONS</b>	<b>2018</b>	<b>2017</b>
<b>Total revenue and other income</b>	<b>1,584.9</b>	<b>1,483.4</b>
Total operating expenses	(302.3)	(284.5)
Business acquisition costs and WSA project costs expensed	-	(2.5)
<b>EBITDA</b>	<b>1,282.6</b>	<b>1,196.4</b>
Depreciation and amortisation	(415.6)	(385.7)
<b>Profit before net finance costs and income tax (EBIT)</b>	<b>867.0</b>	<b>810.7</b>
Net finance costs	(433.5)	(421.6)
<b>Profit before income tax expense</b>	<b>433.5</b>	<b>389.1</b>
Income tax expense	(62.5)	(40.5)
<b>Profit after income tax expense</b>	<b>371.0</b>	<b>348.6</b>
Add back: Profit attributable to non-controlling interests	1.5	1.2
<b>Net profit attributable to security holders</b>	<b>372.5</b>	<b>349.8</b>

# Disciplined cost control

Strong cost control delivering savings

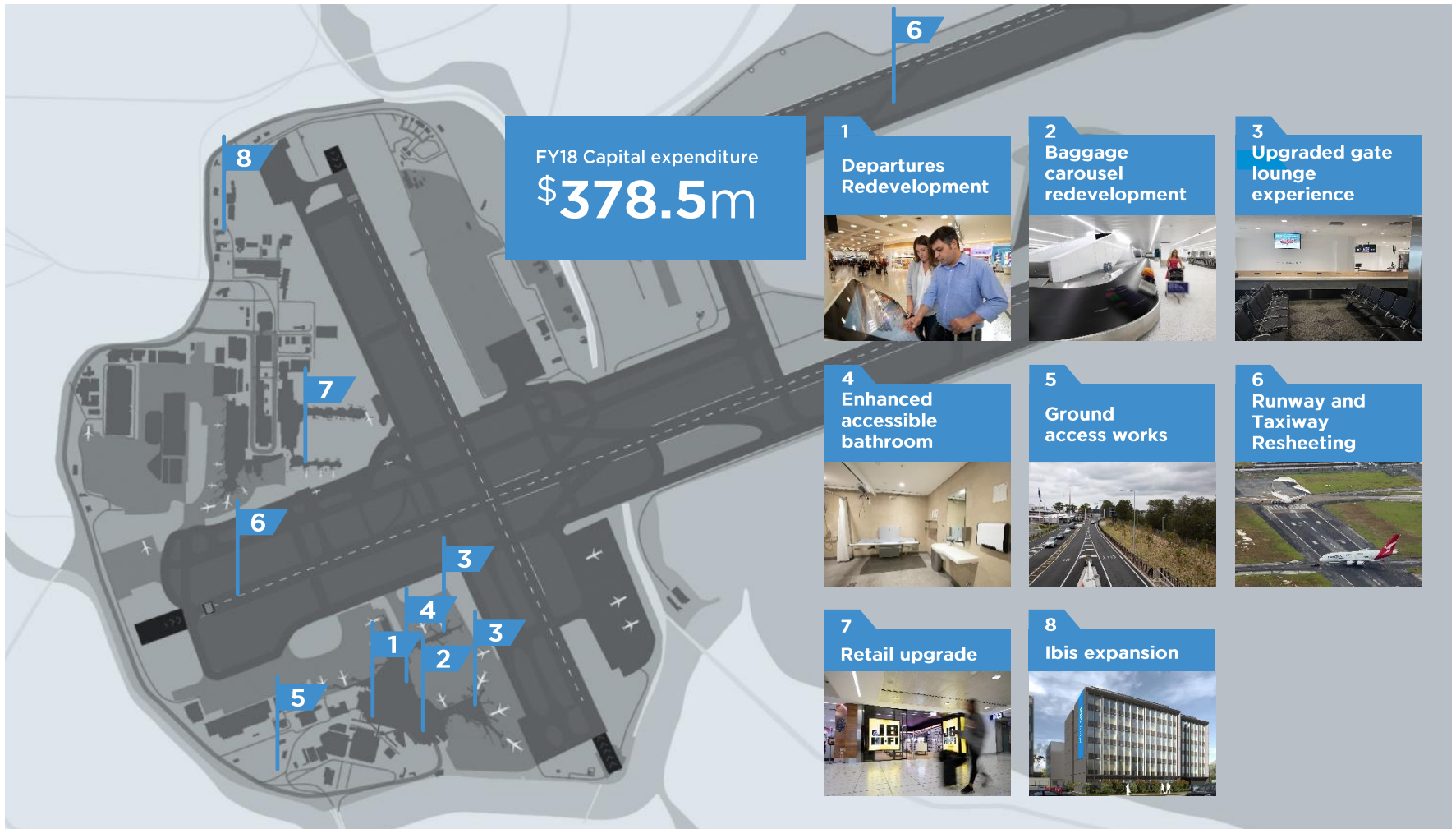


# Profit to net operating receipts reconciliation

<b>\$ MILLIONS</b>	<b>2018</b>	<b>2017</b>
Profit before income tax expense	433.5	389.1
Add back: depreciation and amortisation	415.6	385.7
Profit before tax, depreciation and amortisation	849.1	774.8
<b>Add/(subtract) non-cash expenses</b>		
— Capital indexed bonds capitalised	22.6	24.0
— Amortisation of debt establishment costs	13.4	16.0
— Business acquisition and WSA costs	-	2.5
— Borrowing costs capitalised	(10.6)	(9.3)
— Change in fair value of swaps	5.0	0.2
<b>Total non-cash expenses</b>	<b>30.4</b>	<b>33.4</b>
Add/(subtract) other cash movements		
— Movement in cash balance with restricted use	(0.6)	13.6
— Other	(18.0)	(32.0)
<b>Total other cash movements</b>	<b>(18.6)</b>	<b>(18.4)</b>
<b>Net operating receipts</b>	<b>860.9</b>	<b>787.3</b>
Average stapled securities on issue (m)	2,253.8	2,250.5
Net operating receipts per stapled security (cents)	38.2	35.0
Distributions declared per stapled security (cents)	37.5	34.5



# Capital expenditure



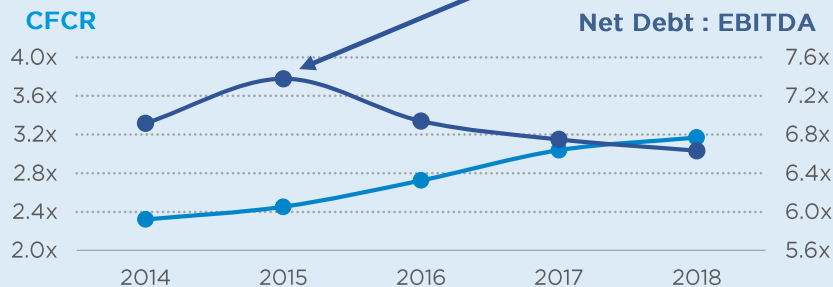
# Capital management update

Strong interest coverage and continued deleveraging

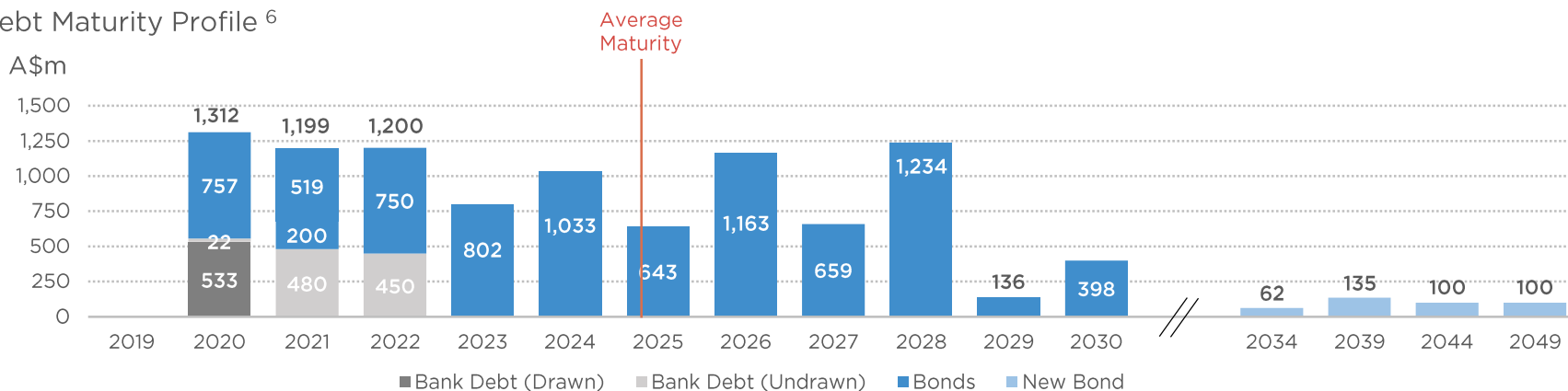
## 31 December 2018 Metrics

Net debt <sup>2</sup>	\$8.4bn
CFCR <sup>1</sup>	3.2x
Net debt : EBITDA <sup>1</sup>	6.6x
Credit rating	BBB+ (stable)/Baa1 (stable)
Next drawn maturity	Early-2020
Average maturity	Early-2025
Average cash interest rate <sup>5</sup>	4.8%
Spot interest rate hedge position	94% (incl. bank debt)

## CFCR<sup>1,3,4</sup> and Net Debt : EBITDA<sup>1,3,4</sup>



## Debt Maturity Profile <sup>6</sup>



1. Debt metrics calculated for the SCACH Group in line with financing documents.
2. Includes SAL bilateral debt facility and SAL/SAT1 cash.
3. Excludes WSA project costs expensed (2016).

4. Excludes EBITDA in relation to the Ibis Budget hotel for Q3 2017 given transitional treatment as an Excluded Subsidiary under finance documents (2017).
5. Excludes capitalised interest, fair value of swaps and amortisation of debt establishment and other costs.
6. Includes \$85 million SAL working capital facility of which \$78 million was drawn as at 31 December 2018.

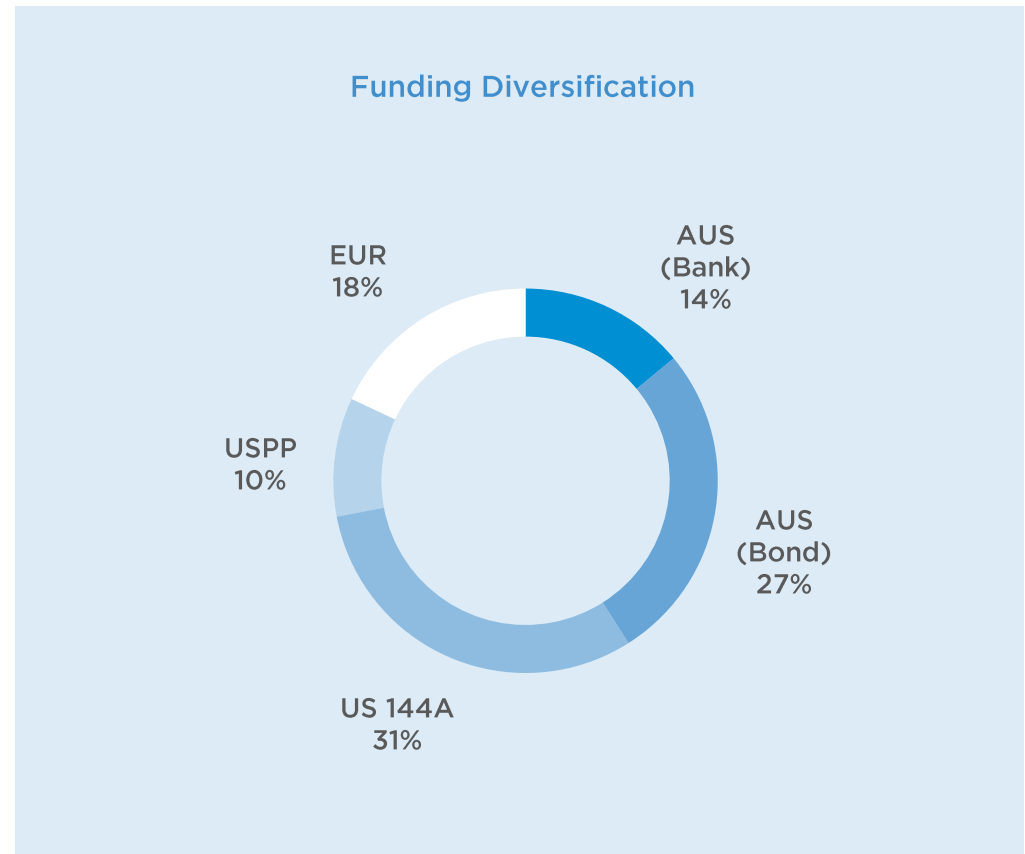
## Full Year Results 2018

# US private placement bond issuance

~AUD400 million multi-tranche US private placement bond successfully issued with significant liquidity unlocked and new frontier of debt maturities created

## Proactive capital management approach with longest ever tenor bond issued

- Competitive pricing locked in over 15-30 years; 4 months free delayed settlement
- Strong liquidity position enhanced; >\$1.3bn in undrawn facilities available
- Debt maturity profile spread; new maturity towers spanning 2034 to 2049
- Debt maturity profile lengthened; average maturity extended 8 months to early-2025
- Debt maturity profile smoothed; less than 15% of debt maturing in one year
- Funding sources diversified; second US private placement bond issuance
- Currency exposures 100% hedged; 84% of bonds raised in Australian Dollars



# Growth across the business



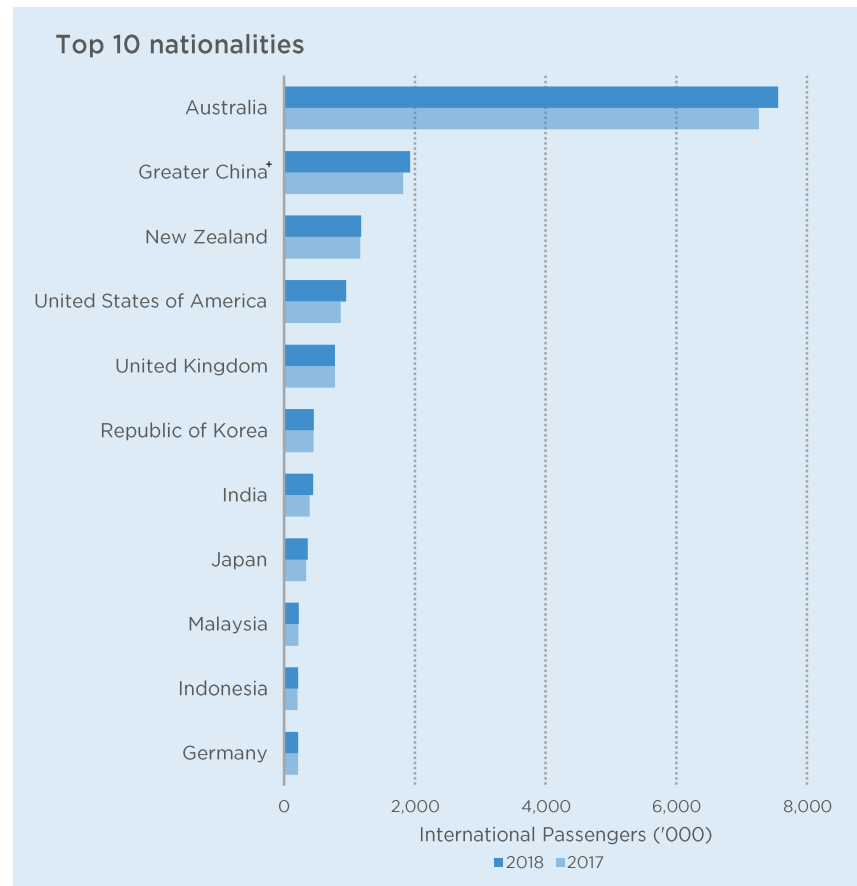
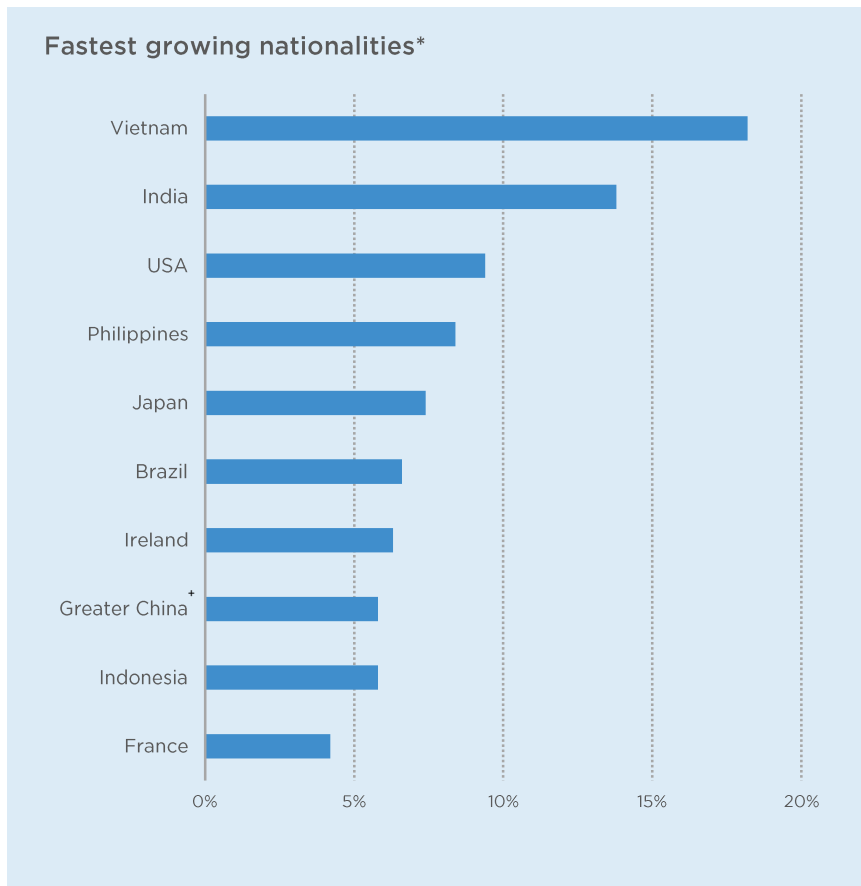
# Growth across the business

Our teams are delivering sustainable results across all businesses



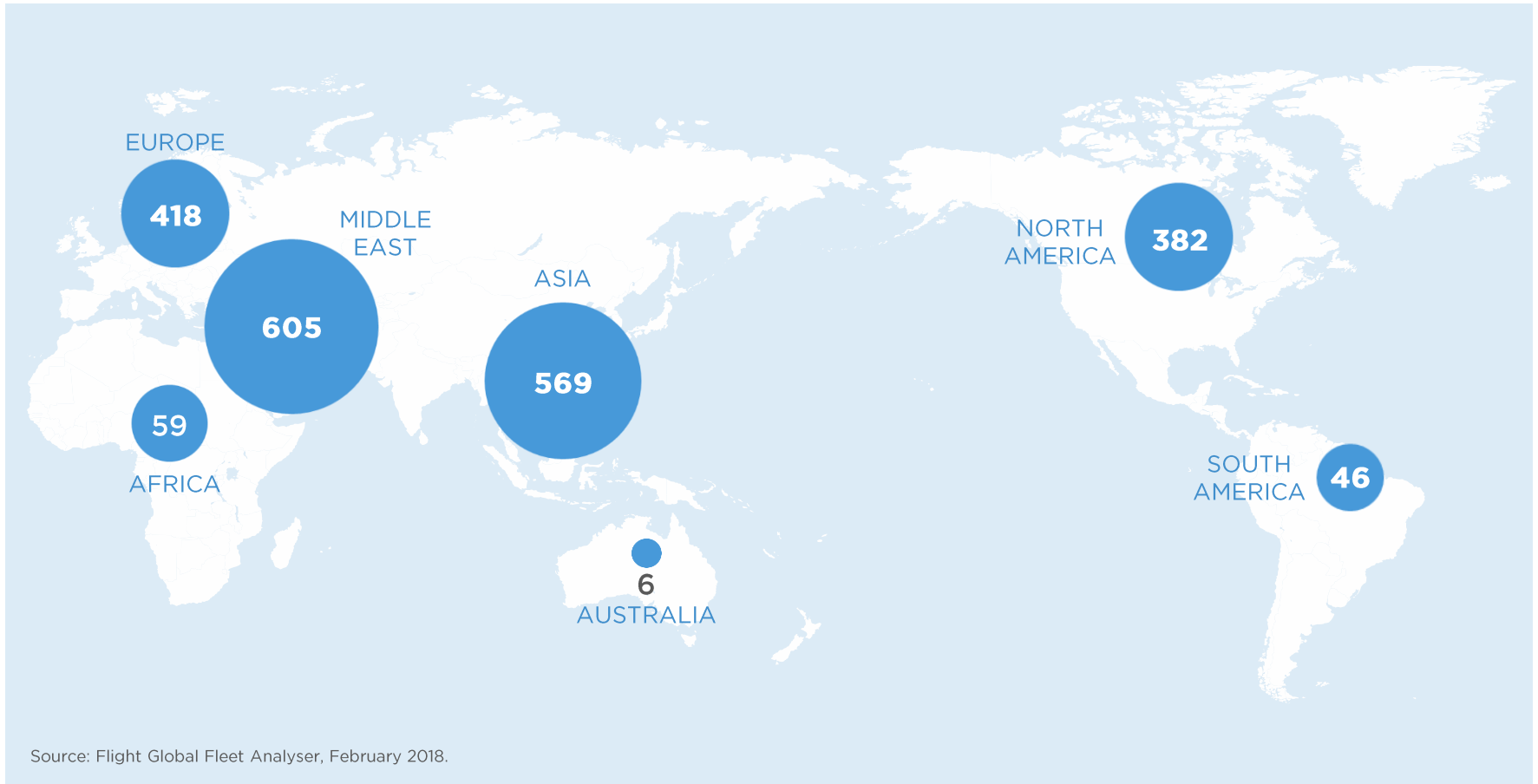
# Diversity of passenger

Fastest growing passenger groups travelling Internationally in 2018 versus 2017

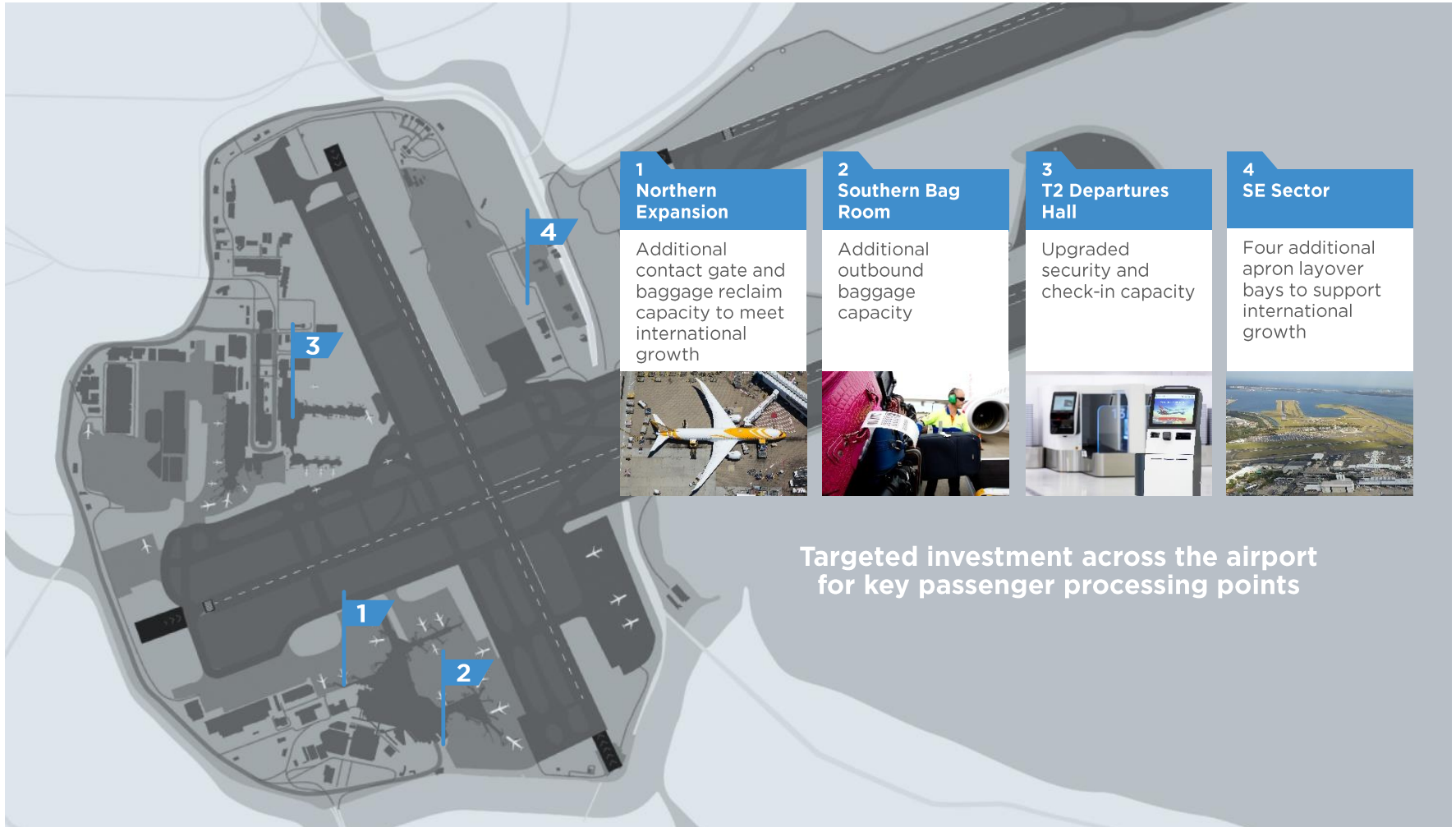






\* Foreign nationalities with greater than 75,000 passengers per annum.  
<sup>+</sup> Greater China includes Mainland China, Hong Kong, Taiwan and Macau.

## Global widebody aircraft orders drive targets and opportunities



# Aeronautical infrastructure



1	2	3	4
<b>Northern Expansion</b>	<b>Southern Bag Room</b>	<b>T2 Departures Hall</b>	<b>SE Sector</b>
Additional contact gate and baggage reclaim capacity to meet international growth	Additional outbound baggage capacity	Upgraded security and check-in capacity	Four additional apron layover bays to support international growth
			

Targeted investment across the airport for key passenger processing points



# Non-Aeronautical business

Diversity builds resilience in our commercial business

## Resilient business model

- Diversified businesses and revenue streams
- Contracted escalations
- Large proportion of revenues underpinned by minimum guarantees

## Well positioned business metrics

- Fully leased
- Strict investment hurdles
- Capital investment opportunity

## Growth opportunities

- Hotels and unutilised land
- Retail expansion and brand upscaling
- Advertising and further commercial opportunities

### Retail stores



### Lounges



### Ground transport



### Freight, logistics & catering



### Hotels



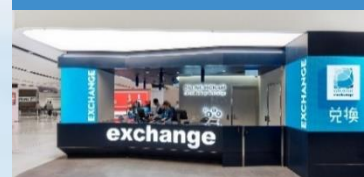
### Advertising



### Car parking



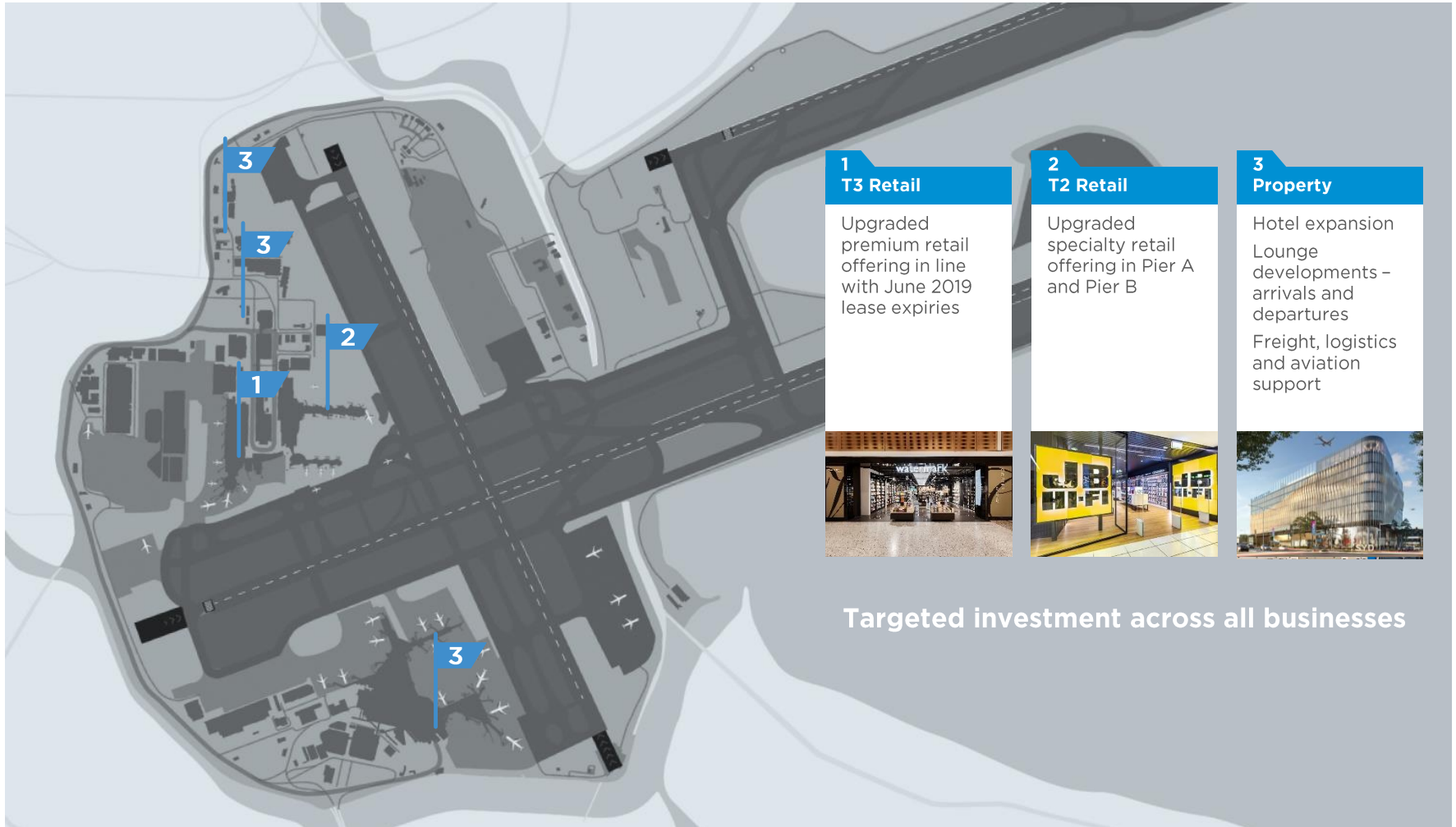
### Foreign exchange



### Car rental



# Non-Aeronautical Investment



# Productivity Commission inquiry

Productivity Commission Draft Report on the Economic Regulation of Airports published February 2019

The purpose of the inquiry is to determine the effectiveness and efficiency of the current arrangements and determine whether they remain appropriate.

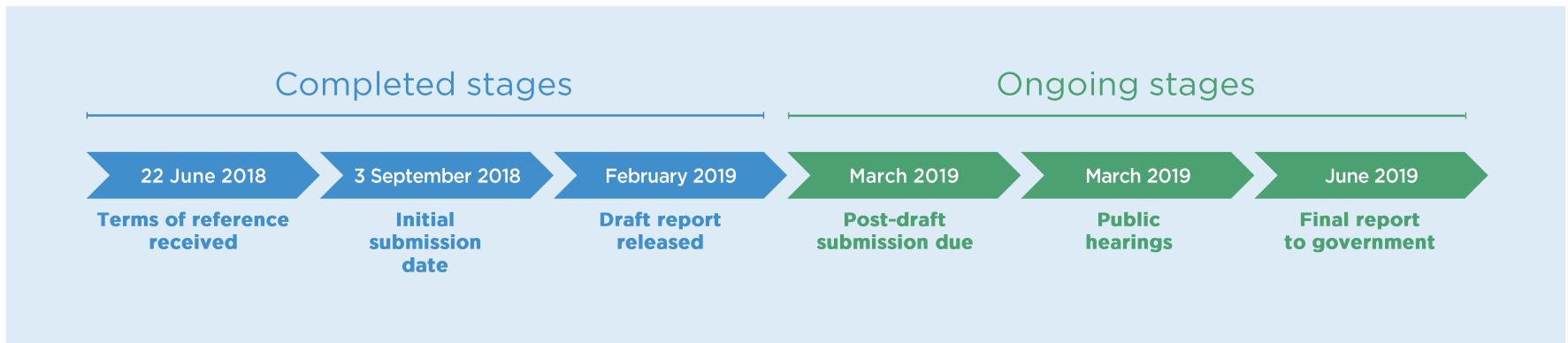
The final report will be provided to the Government in June 2019, after another submission round and the public hearings. It is anticipated the report will be released publicly later in the year.

Sydney Airport's customer focus, significant investment in 'just in time' facilities, contracted agreements and collaborative engagement with airlines provides a very positive story.

Productivity Commission thoroughly reviewed the aeronautical framework and in their draft report indicated that Airports have not abused their market power.

The draft report recommended:

- No changes to the commercial negotiation framework
- No material change to the monitoring framework
- Public review of operating restrictions including Sydney Airport Slot Management Scheme, movement cap and curfew



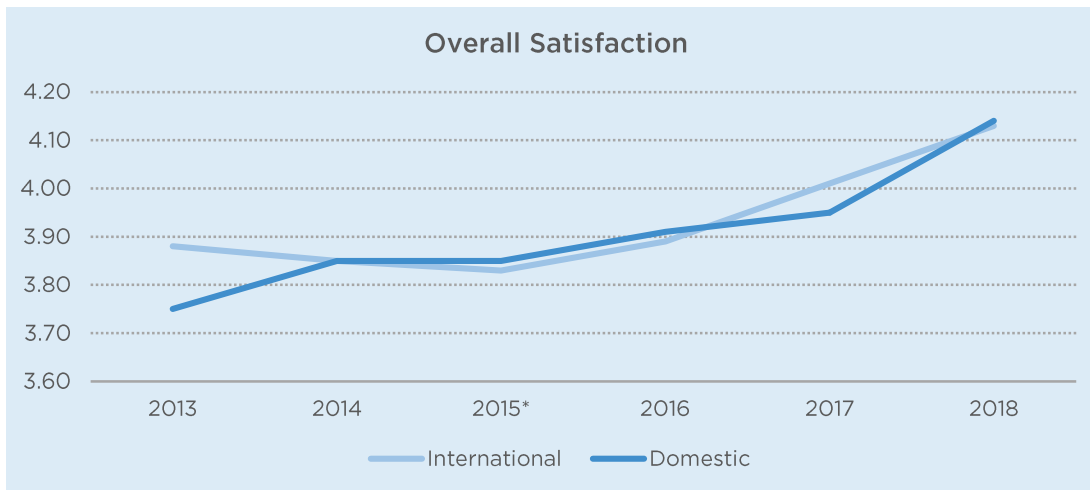
# Delivering for our stakeholders



# Customers are responding positively

On a regular basis, our customers are asked what they thought of their airport experience and how we can improve

Ratings out of 5	International	Domestic
Overall satisfaction	<b>4.13</b> +3% from 2017	<b>4.14</b> +5% from 2017
Airport ambience	<b>4.22</b> +1% from 2017	<b>4.14</b> +1% from 2017
Airport cleanliness	<b>4.27</b> +1% from 2017	<b>4.19</b> +1% from 2017
Airport wayfinding	<b>4.12</b> +4% from 2017	<b>4.21</b> +3% from 2017



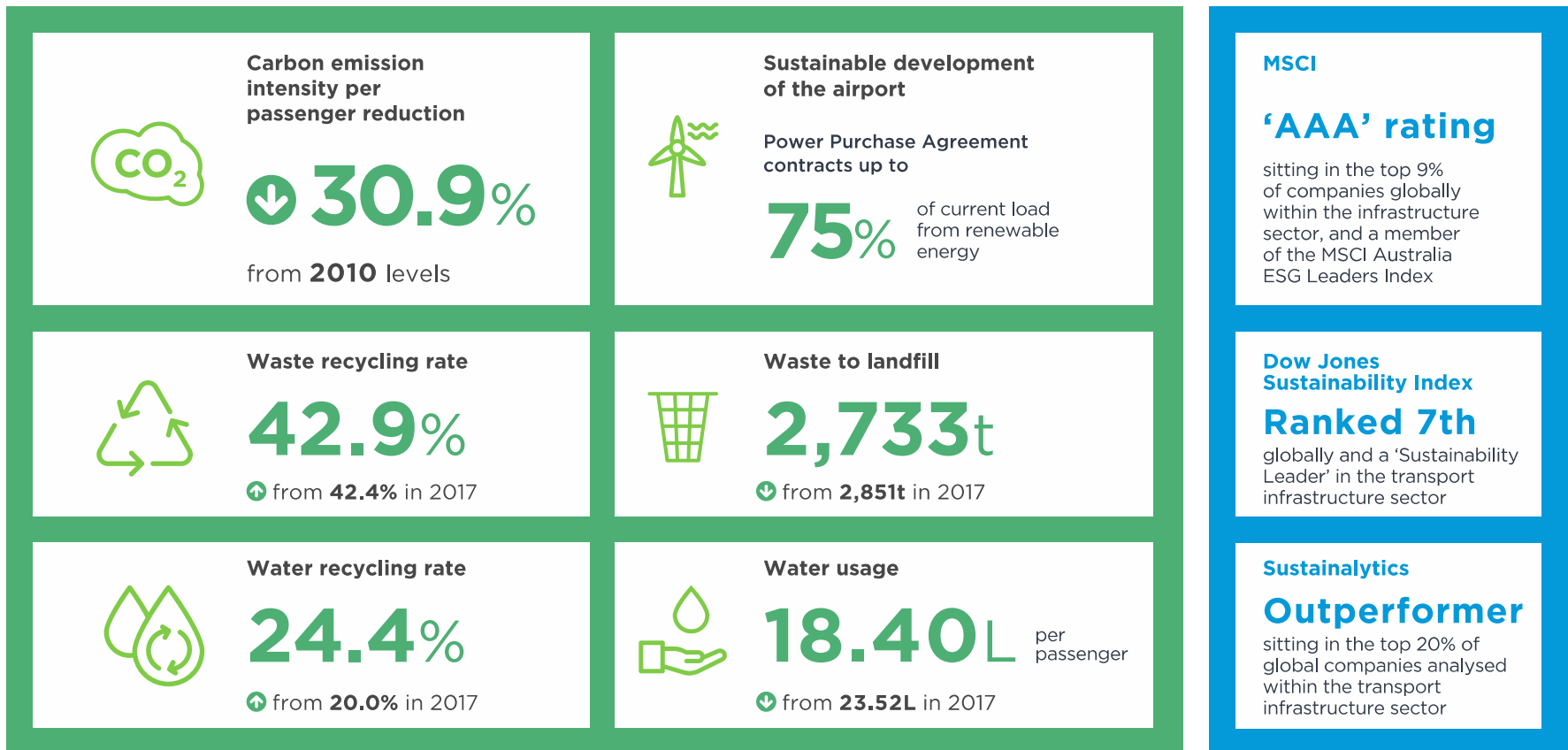
\* T3 only contains data from two quarters.

## Key projects delivered

- ✓ Free terminal transfers
- ✓ Quiet terminal
- ✓ Digital wayfinding
- ✓ Increased charging points
- ✓ Biometric trial conducted
- ✓ Real time sentiment
- ✓ Service Excellence training
- ✓ Greater diversity in amenities
- ✓ Expanded dwell areas

# Sustainable airport

Sydney Airport continued to deliver on its commitment to sustainability in 2018 and enhanced its sustainability approach through refreshed commitments to 2021 that will drive continued performance improvements



# Our community commitment

Sydney Airport is committed to helping our local communities thrive, support our leaders of tomorrow and embrace and showcase Sydney's best. We have contributed \$5.7m into community initiatives in 2018



## Live local

Keeping local communities connected, healthy, vibrant and thriving

Sydney Airport has joined forces with Bayside Council to establish the Community and Environmental Projects Reserve Fund. A joint commitment of \$11 million over 10 years focusing on delivering initiatives and key projects for the benefit of our local community.



## Leading and learning

Be the best you can be in your field. Supporting the leaders of tomorrow

In 2018, Sydney Airport continued our engagement with our education partners by further connecting future leaders in aviation and tourism to our staff, our on-airport community and our business.



## Sydney's Airport

Developing a sense of place at Sydney Airport that reflects our city and supports tourism-generating initiatives

Sydney Airport celebrated artistic and cultural talent through internationally renowned tourism events, partnerships and festivals in 2018 including as a special distinguished partner for the Sydney Festival, Sydney Fringe Festival and Newtown Festival.



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Fairfax Syndication

# SYD

A I R P O R T

100 YEARS



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# Outlook



Sydney Airport is well positioned for growth in 2019

## Guidance

2019 Distribution guidance\*  
announced of

**39¢**  
per stapled security

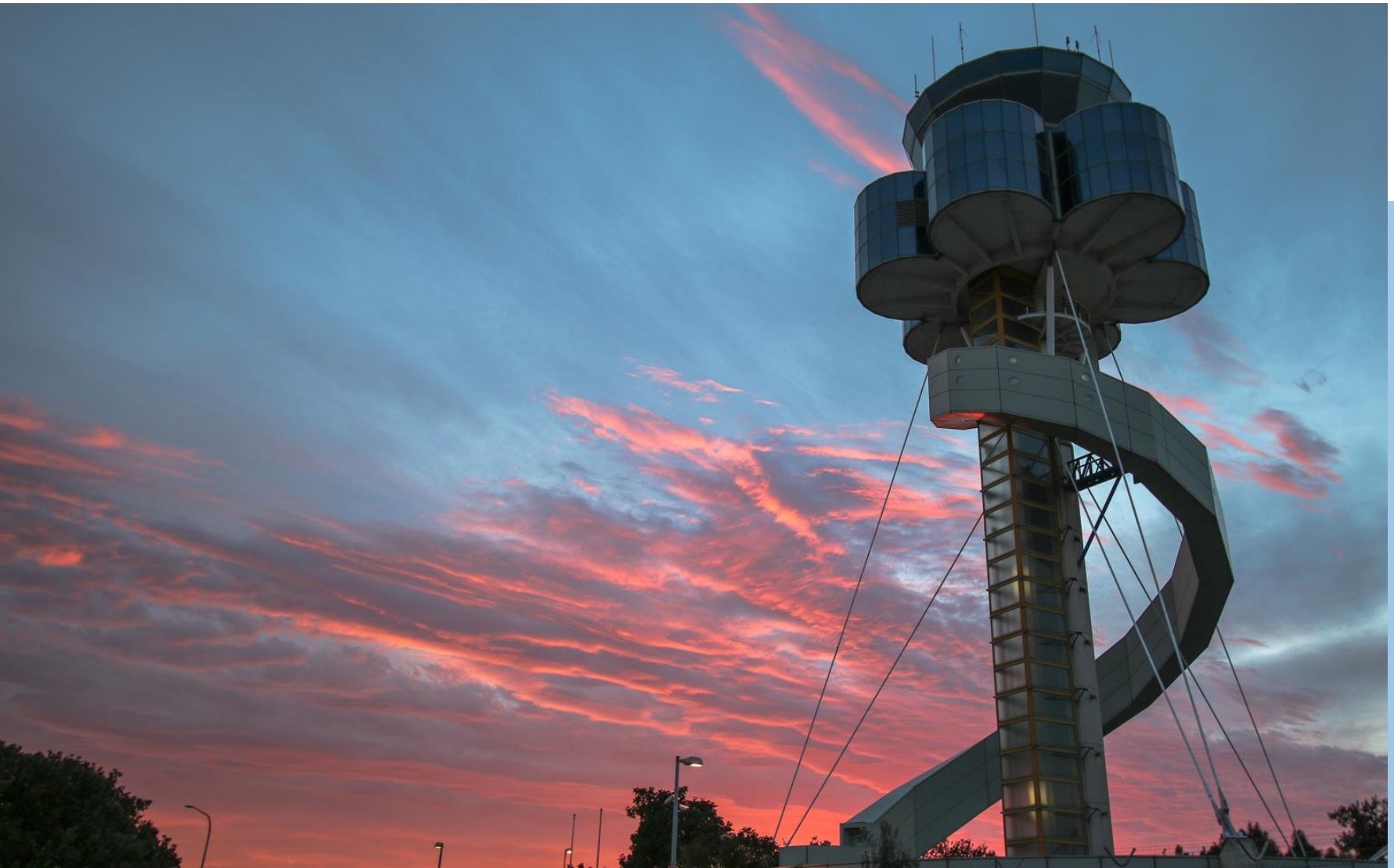
Three year capex guidance  
for 2019-2021 of

**\$0.9-1.1bn**

2019 capex  
guidance

**\$390-440m**

# Questions

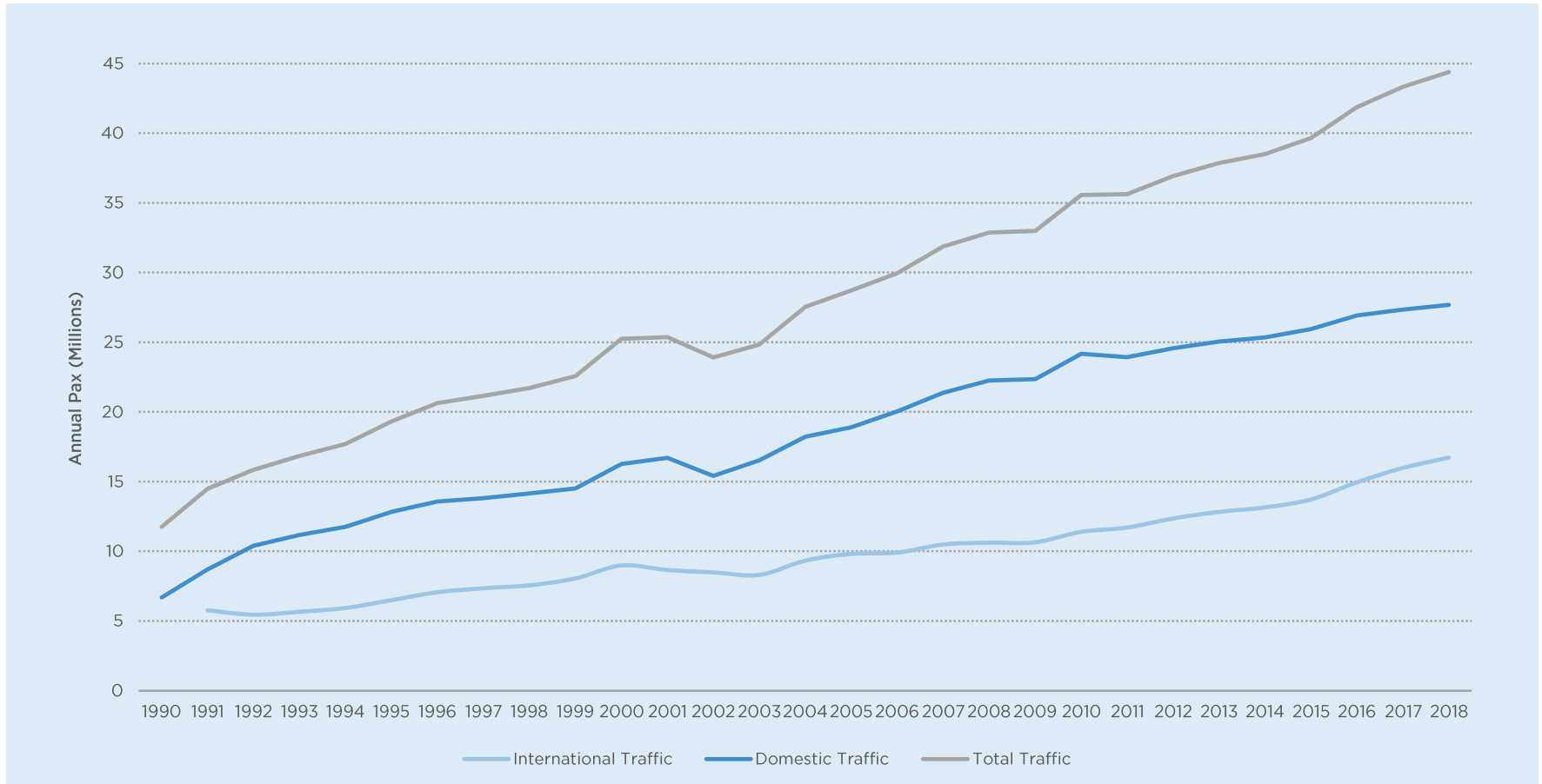


# Appendix



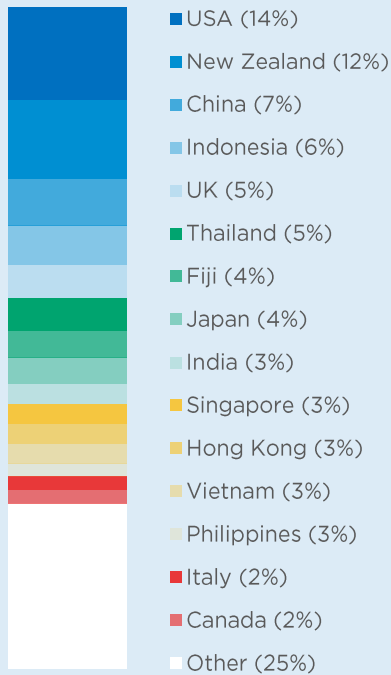
# Long term traffic growth

Resilient passenger growth across all economic cycles and events

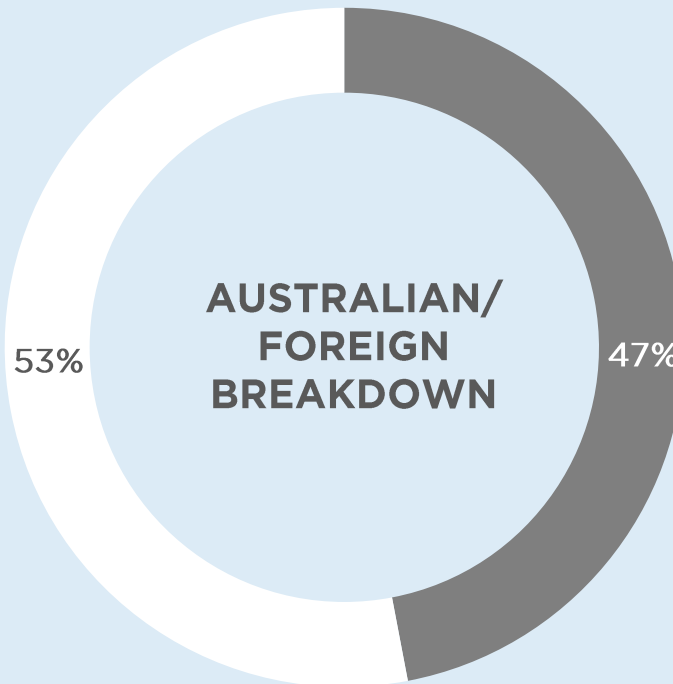
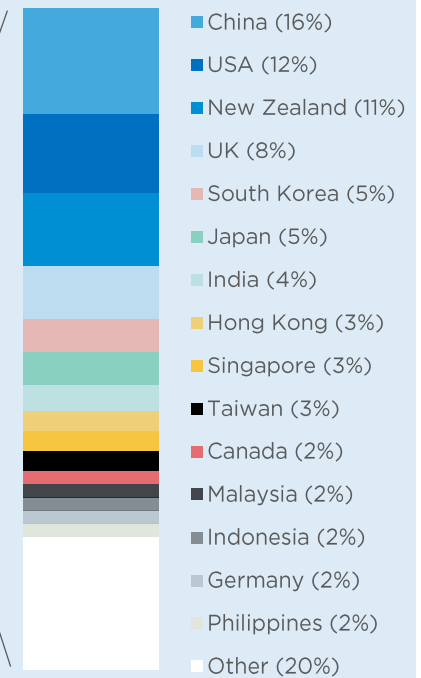


# Highly diversified passenger & destination mix

## Australian destination departures (%)

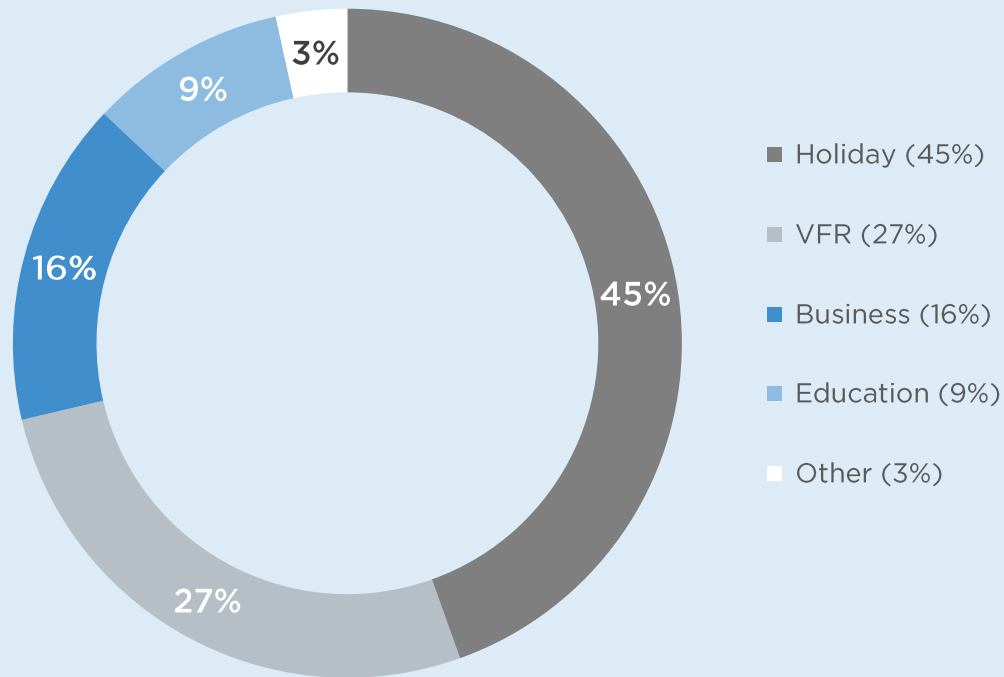


## Foreign residency arrivals (%)



Source: Sydney Airport analysis of DIBP OAD Data YE October 2018.

# Highly diversified purpose of travel



Sydney Airport is one of the world's highest quality airport investments

99 year leasehold	<ul style="list-style-type: none"> <li>• Lease until 2097</li> </ul>
Catchment area	<ul style="list-style-type: none"> <li>• 7.5m Sydney and NSW catchment population</li> </ul>
Strong passenger growth profile	<ul style="list-style-type: none"> <li>• Sydney is both a business and tourism hub, in a growing NSW economy</li> <li>• Strong visiting friends and relatives, education and tourism market</li> <li>• Strong Asian connections — increasing urbanisation</li> </ul>
International passengers	<ul style="list-style-type: none"> <li>• Account for ~70% of passenger driven revenues</li> <li>• Represent 16% of slots</li> </ul>
Commercial opportunities	<ul style="list-style-type: none"> <li>• Substantial growth opportunities</li> <li>• Minimum guarantees offer downside protections</li> <li>• Strict investment review processes apply to all new investment</li> </ul>
Negotiating framework	<ul style="list-style-type: none"> <li>• Commercially negotiated charges agreements with airlines include investment, price and service levels</li> </ul>
Outsourced model	<ul style="list-style-type: none"> <li>• Controllable operating costs with contracted escalations</li> </ul>
Consistent growth and downside protections	<ul style="list-style-type: none"> <li>• Long term contracts with airlines and tenants</li> <li>• CPI or higher escalation on commercial revenues</li> <li>• Growth initiatives across all businesses</li> </ul>



**Thank you**

