



# Auckland Airport 2017 Investor Day



# Introduction

Sir Henry van der Heyden

# Agenda

8.30am	Introduction	Sir Henry van der Heyden	Chairman
8.35am	Overview & strategy	Adrian Littlewood	Chief Executive Officer
9.00am	Driving aeronautical growth	Scott Tasker	GM – Aero Commercial
9.30am	Investing for future growth	Steven Crook	GM – Airport Development & Delivery (Acting)
10.00am	Q&A		
10.15am	Break		
10.30am	Enhancing the retail experience	Richard Barker	GM – Retail and Commercial
11.00am	Digital innovation	Jason Delamore	GM – Business Technology and Marketing
11.10am	Investment property	Mark Thomson	GM - Property
11.40am	Financial management & regulation	Philip Neutze	Chief Financial Officer
11.55am	Wrap up	Adrian Littlewood	Chief Executive Officer
12.00pm	Q&A		
12.30pm	Lunch		
1.30pm	Optional site tour of the soon to be opened international departures expansion		
2.30pm	End		



# Overview & strategy

Adrian Littlewood

# What we are reaching for



*In doing so, we are committed to making journeys better for our customers and partners*

*We want to be a great New Zealand business recognised as a world leader in creating value from modern airports*

*We want to power travel, trade and tourism growth for our city and country*

# Auckland Airport at a glance



**Associates**

- Queenstown (24.99%)
- Cairns and Mackay (24.55%)

# Strong foundations

## Positive exposure to growth markets

**2/3<sup>rds</sup>**

of the global middle class will be residents of the Asia-Pacific region by 2030<sup>1</sup>

## Strong network

**94%**

share of long haul arrivals to New Zealand

## Attractive customer base

**#1** 

Highest individual footfall of any retail operator in NZ

## Strong development potential

**#1** 

Largest owner of vacant land in the Auckland region<sup>3</sup>

**0.7%**

New Zealand's share of South East Asia & Pacific outbound tourism<sup>2</sup>

**75%**

share of international visitors to New Zealand



Attractive demographic



Master plan indicates strong capacity for growth



Strong pipeline of new aircraft deliveries

**46**

International destinations, 7 direct China destinations

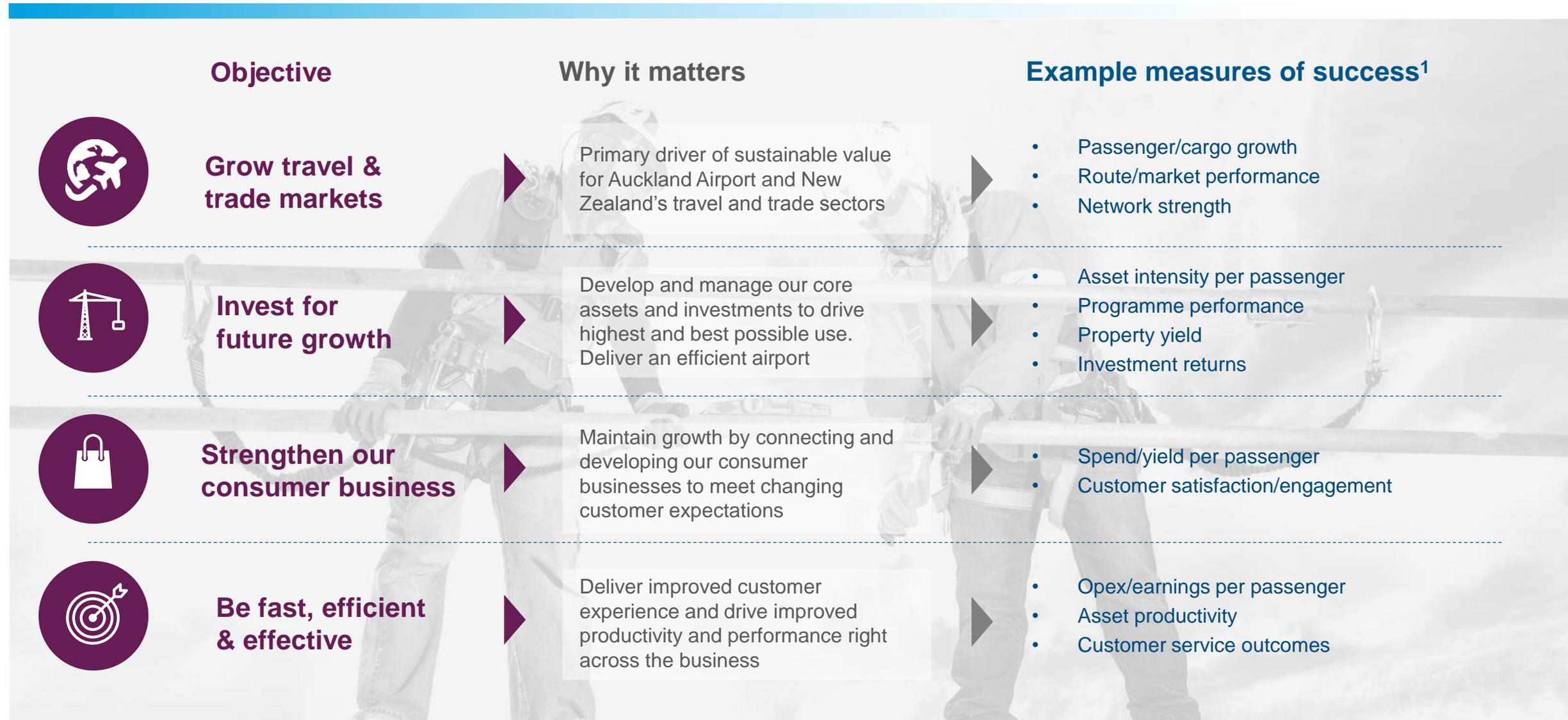
**~40%**

of New Zealand's population live within a two hour drive

# The evolution of our four strategic themes



# Core Faster, Higher Stronger strategic themes



# Our foundations

	Objective	Why it matters	Example measures of success <sup>1</sup>
	<b>Safety and security, always</b>	Ensure our people, contractors and partners can get home safely every day	<ul style="list-style-type: none"><li>• Safety outcomes</li></ul>
	<b>People focus</b>	Our people are able and motivated to do their best	<ul style="list-style-type: none"><li>• Employee engagement</li><li>• Workforce composition</li></ul>
	<b>Customer centred</b>	Focusing on what matters to customers will ensure we can continue to grow	<ul style="list-style-type: none"><li>• Customer satisfaction</li><li>• Public favourability</li><li>• Brand health</li></ul>
	<b>Operate sustainably</b>	Minimise the impact of our business and share the benefits of growth with our community	<ul style="list-style-type: none"><li>• Carbon per passenger</li><li>• Energy/waste per passenger</li><li>• Job creation and placement</li></ul>

1) Not exhaustive. For illustrative purposes only. See Auckland Airport CSR report for full details

# Delivering on our Faster, Higher Stronger ambitions

## Aspirations set in early 2013



**400,000**

Double Chinese arrivals to 400,000 by FY17

June 2013

**213,781**

June 2017

**✘ 356,315**

A decrease of 2,955  
(0.8%) in FY17



**\$60m**

Build property rent roll to \$60 million by FY17

**\$44m**

**✔ \$72.9m**

An increase of \$9.9 million  
(15.7%) in FY17



**10m**

Achieve 10 million international passengers  
(excluding transits) by FY18

**7.3m**

**✔ 9.7m**

An increase of 1.0 million  
(11.0%) in FY17



**20m**

Reach 20 million total passengers by FY20

**14.5m**

**✔ 19.0m**

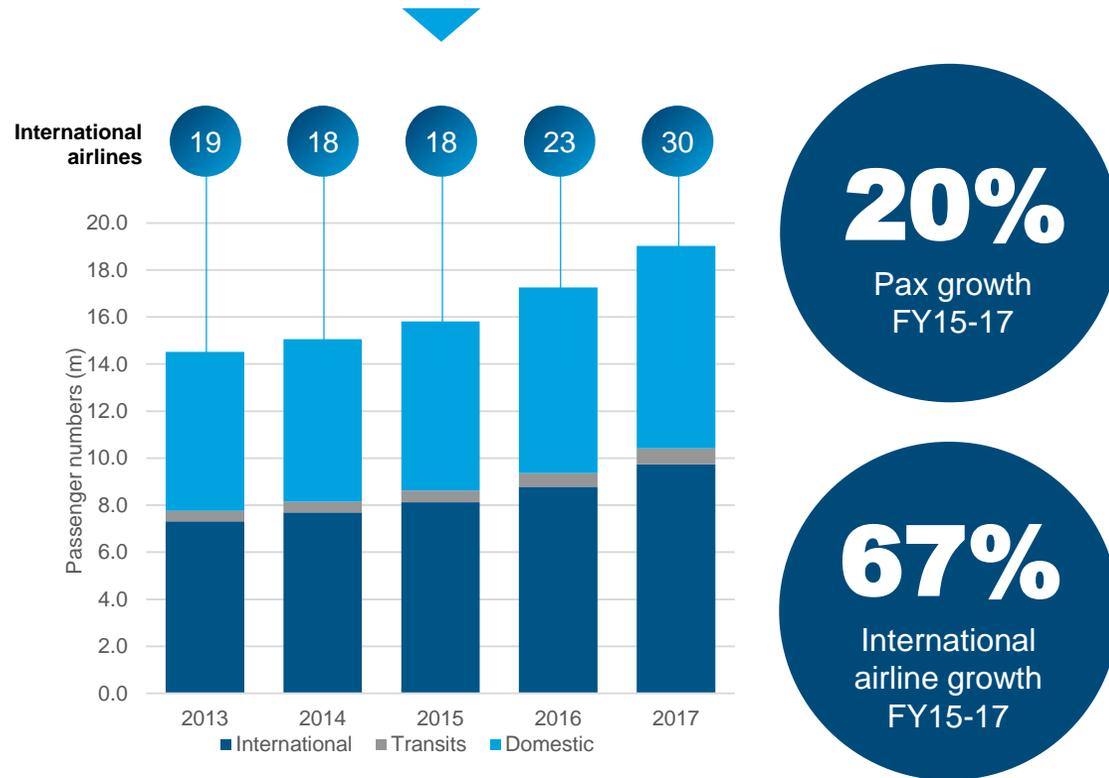
An increase of 1.8 million  
(10.2%) in FY17

# Our track record

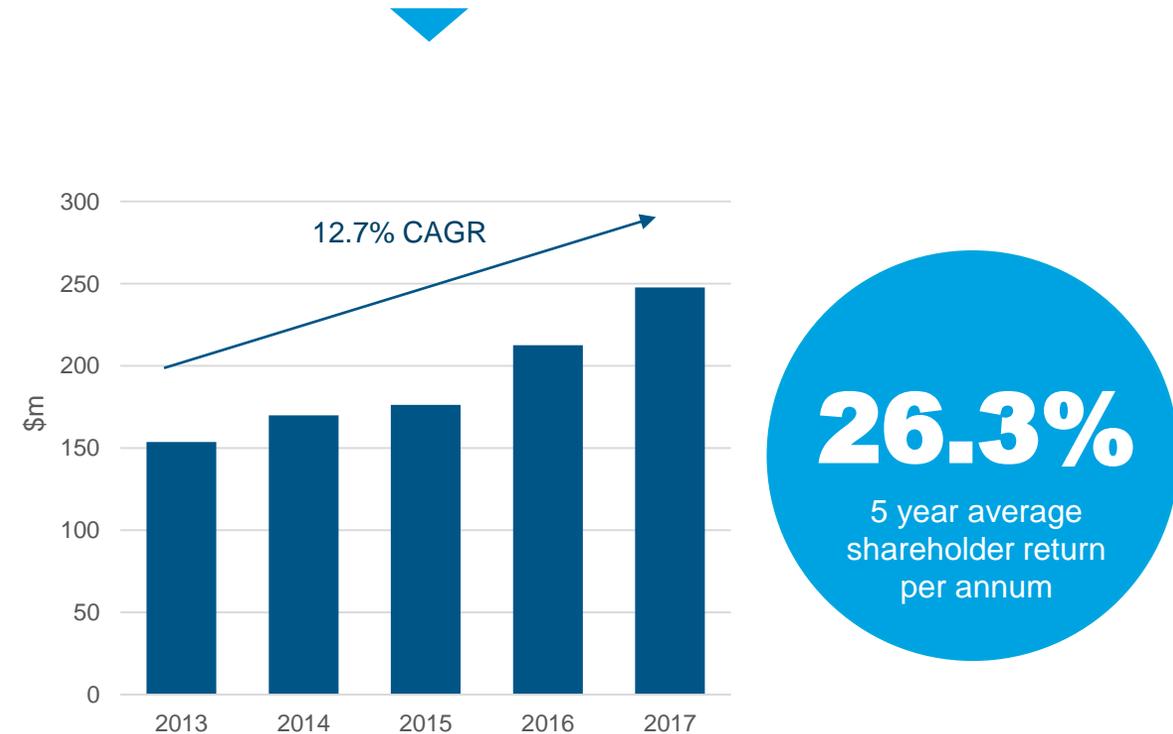
	Objective	Example outcomes
	<b>Safety and security</b>	<ul style="list-style-type: none"><li>✓ Setting high safety standard for wide number of PCBU on airport</li><li>✓ Staff health and safety engagement increased to 68% in FY17</li><li>✓ Employee recordable injuries down 22% in FY17</li><li>✓ Contractor lost time injury frequency rate down 81% in FY17</li></ul>
	<b>People focus</b>	<ul style="list-style-type: none"><li>✓ Investing in professional development programmes for both leadership and all staff</li><li>✓ Launched enhanced flexible working policy and new rewards program</li><li>✓ Increased proportion of female employees to 38% (35% in FY16)</li><li>✓ Cultural diversity celebrated as central to serving our customers</li></ul>
	<b>Customer centred</b>	<ul style="list-style-type: none"><li>✓ TNS public favourability ranging between 82%-88% favourability across 2017</li><li>✓ Top 10 NZ trusted corporate brand in 2017 in Colmar Brunton survey</li><li>✓ New mobile and in terminal tools to record and address service issues</li><li>✓ ASQ service standards continue to benchmark above peer group</li></ul>
	<b>Sustainability</b>	<ul style="list-style-type: none"><li>✓ 6<sup>th</sup> year of Dow Jones sustainability index inclusion, 10<sup>th</sup> year of FTSE4Good</li><li>✓ 5 Star rating in the Global Real Asset Benchmark (GRESB) - Infrastructure</li><li>✓ Ara Jobs and Skills Hub placed 190 people in employment, 82% from South Auckland, 39% off benefits</li><li>✓ From 2012-17 waste per passenger fell by 47% and carbon per passenger by 55%</li><li>✓ Comprehensive public CSR reporting (<a href="https://corporate.aucklandairport.co.nz/corporate-responsibility">https://corporate.aucklandairport.co.nz/corporate-responsibility</a>)</li></ul>

# Proven passenger and earnings growth over the last five years

Since FY13, passengers increased at a CAGR of 7.0% and the number of airlines using Auckland Airport is up 12% p.a.

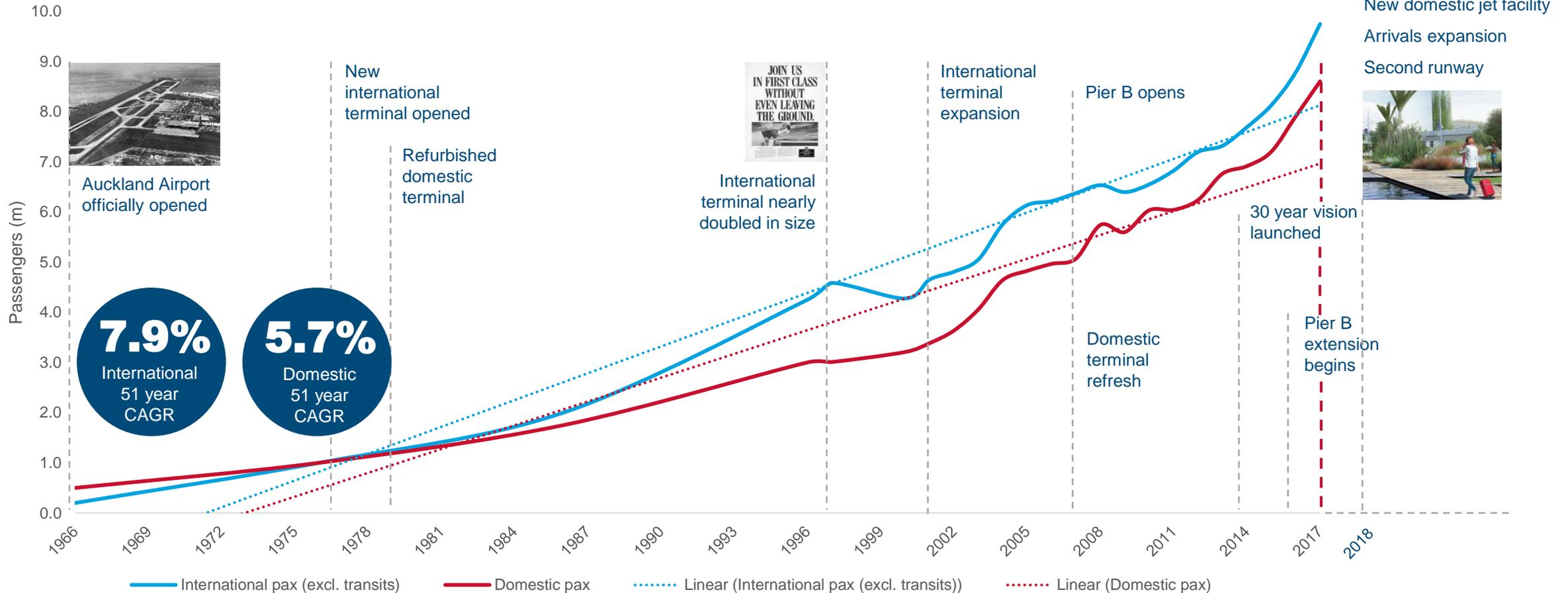


Underlying profit has grown at an average rate of 12.7% driven by greater passengers and operational efficiencies



# Putting recent growth in context; growth has been remarkably resilient over 50 years

## 50 year passenger growth trend



Note: Graph based on data for 1966, 1976, 1986 and then annual data from 1996 - 2017



# Setting up for the next 50 years



# Focus for FY18 and key themes for today



## Grow travel & trade markets

- Grow, sustain, diversify capacity and market mix
- Continue pursuing multiple route development opportunities and drive off-peak demand



## Invest for future growth

- Deliver on our capital plan by adding leading systems, tools, technology to enhance capability
- Setting up scalable pan-organisation technology platforms



## Strengthen our consumer business

- Execute on our vision of delivering the 'Best of NZ and the World'
- Expand retail areas and launch exclusive brands with compelling designs



## Be fast, efficient & effective

- Greater and more effective customer engagement
- More efficient deployment of resources





# Driving aeronautical growth

Scott Tasker

# Aeronautical business



The busiest airport in New Zealand



International passengers

65

46 international destinations and 19 domestic destinations

30

International airlines and 5 domestic airlines



Market fundamentals remain strong



Located in the high growth Asia-Pacific region



New Zealand remains underserved



3,635 metres of runway, plus future second runway

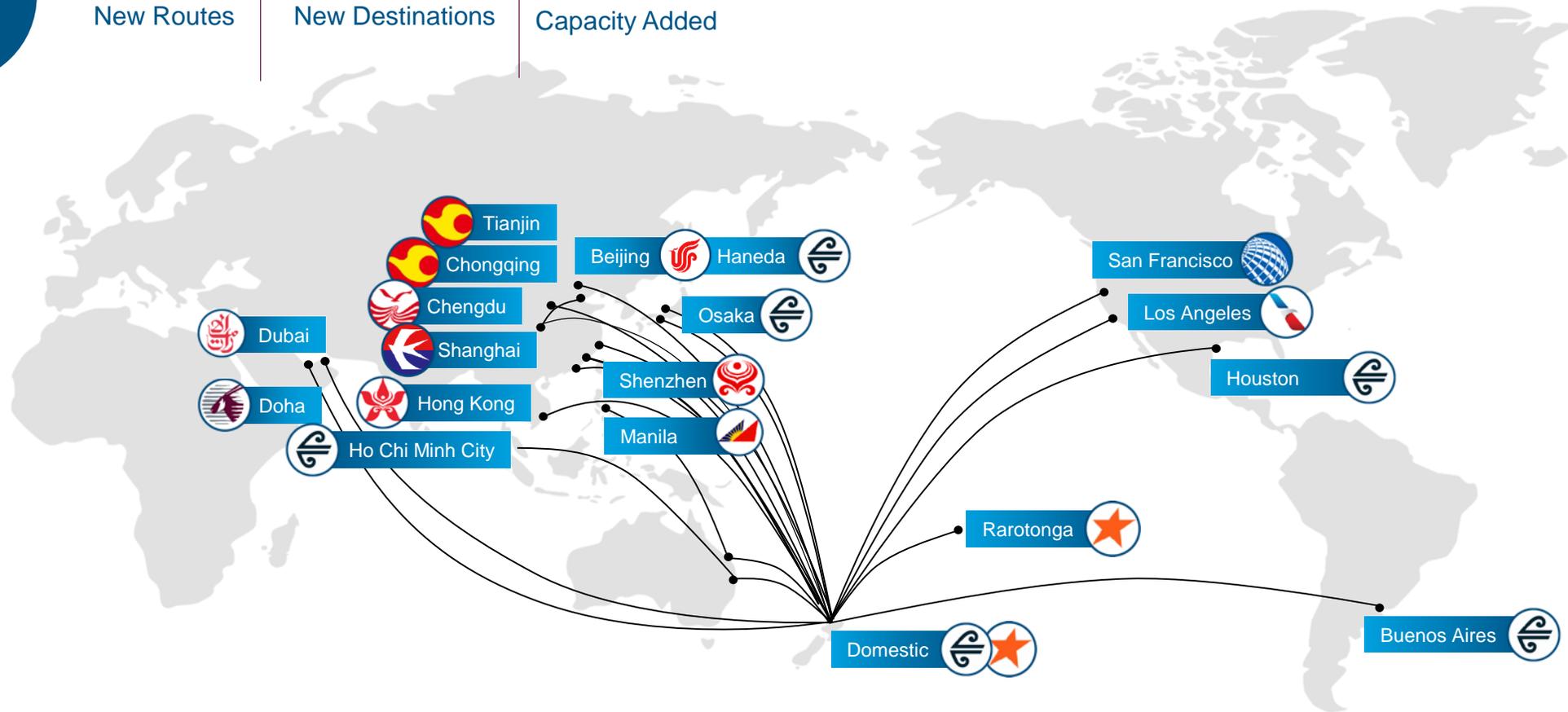
# Significant increase in connectivity over the last two years

Network  
FY15-17

**11**  
New Routes

**18**  
New Destinations

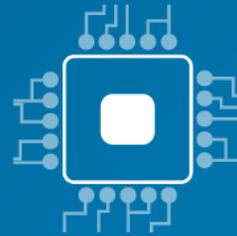
**+20%**  
Capacity Added



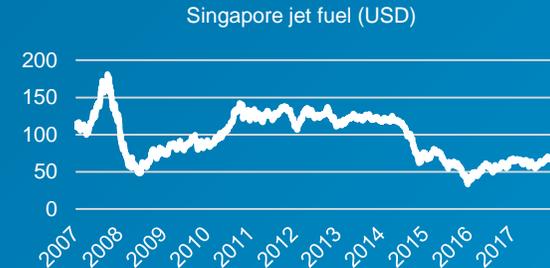
# Growth driven by a supportive macro environment



New Zealand is underserved



Aircraft technology is making more long haul routes to New Zealand viable and more profitable



Jet fuel remains ~30% lower than three years ago<sup>1</sup>



**118.4 million**  
Active Considerers  
(Tourism New Zealand)

New Zealand is a highly attractive destination to markets

2015  
**6,350**



2035  
**16,970**

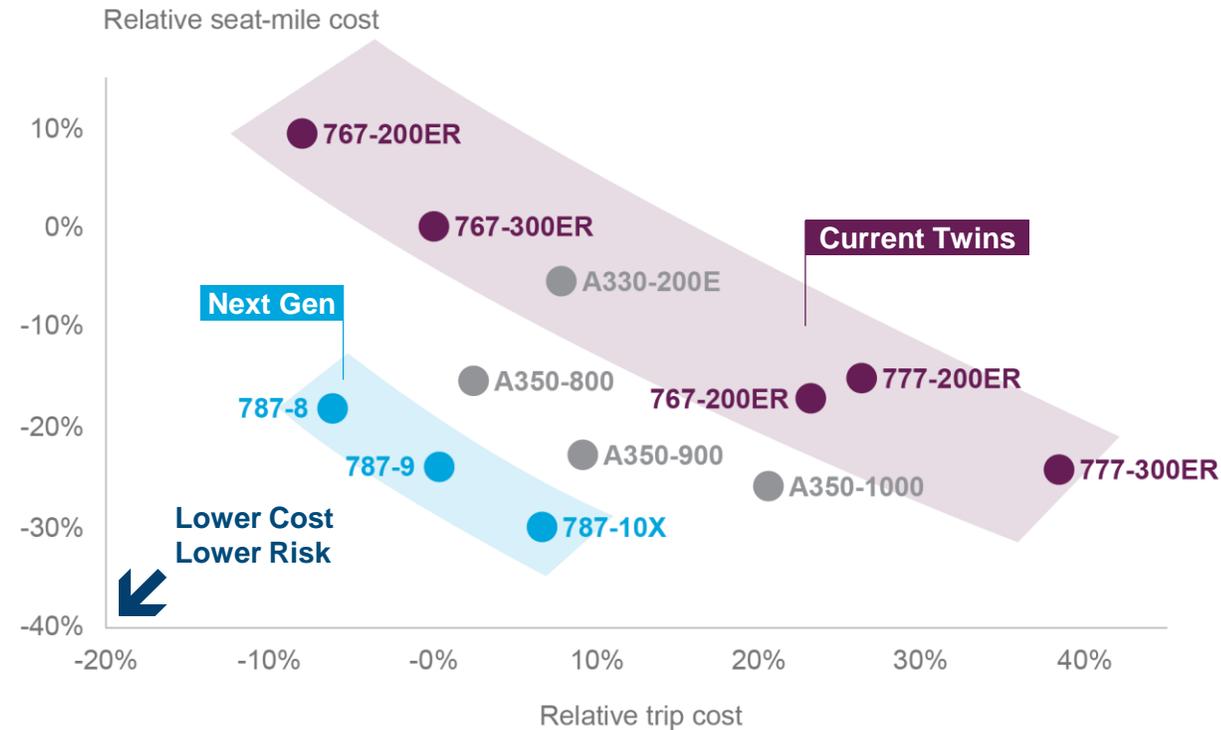
New aircraft deliveries are forecast to remain strong in the Asia Pacific region<sup>2</sup>



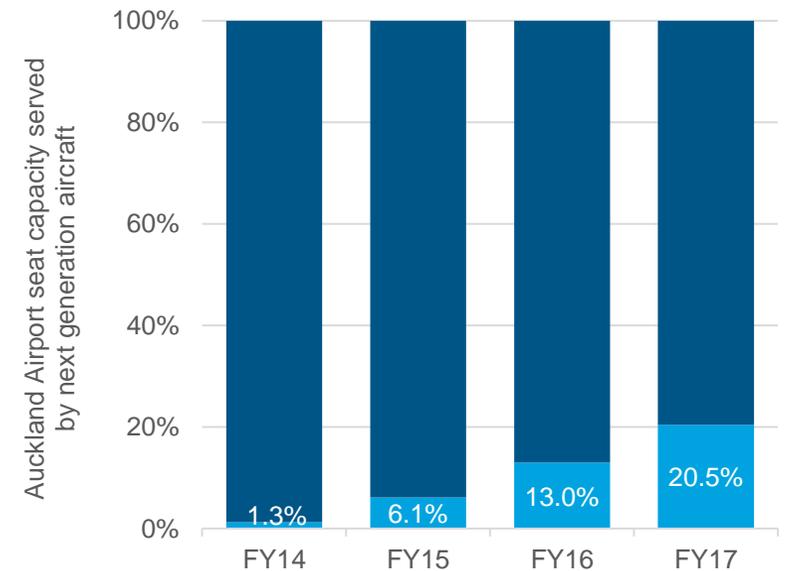
Liberal air service rights

# Structural change in airline economics is enabling supply

## Step change in economics to serve New Zealand from next generation aircraft

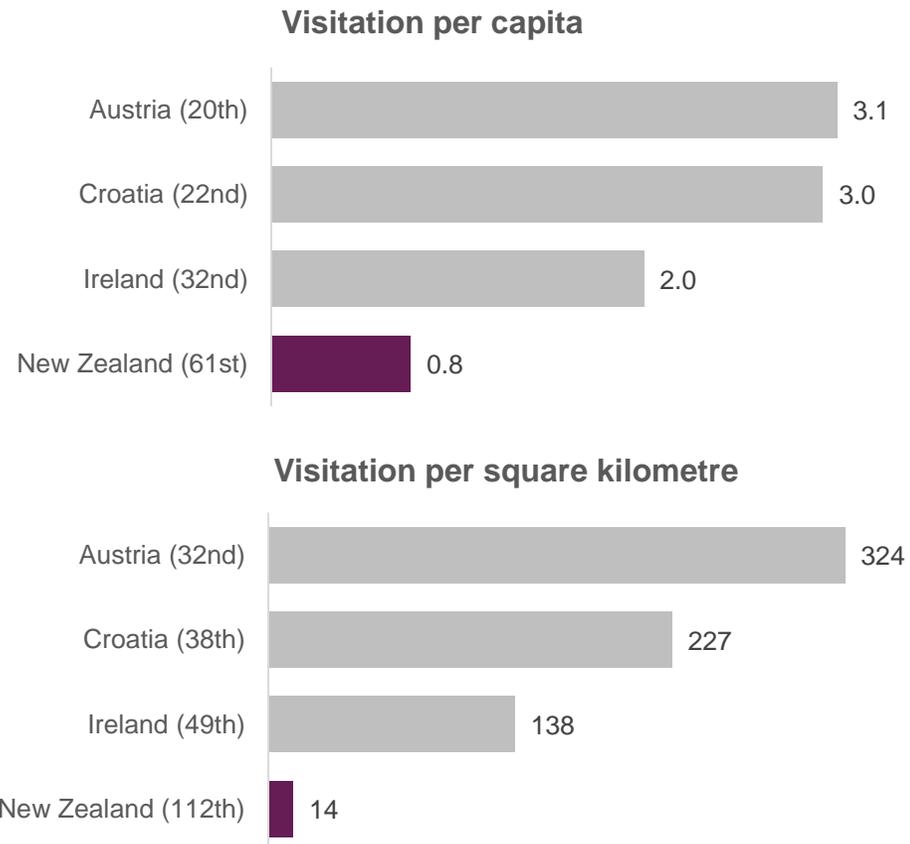


## Proportion of next generation aircraft still remains relatively low



# With the appropriate investment New Zealand tourism can continue to grow sustainably

## New Zealand tourism density is low compared with peer group countries



## The New Zealand government is investing in tourism infrastructure and hotel capacity constraints are forecast to ease

### New government policies

**\$1b**

Regional development fund

**\$76m**

Department of Conservation tourism infrastructure investment over 4 years\*

**\$102m**

Tourism Infrastructure Fund investment over 4 years\*

\* = already announced

### Hotel market statistics

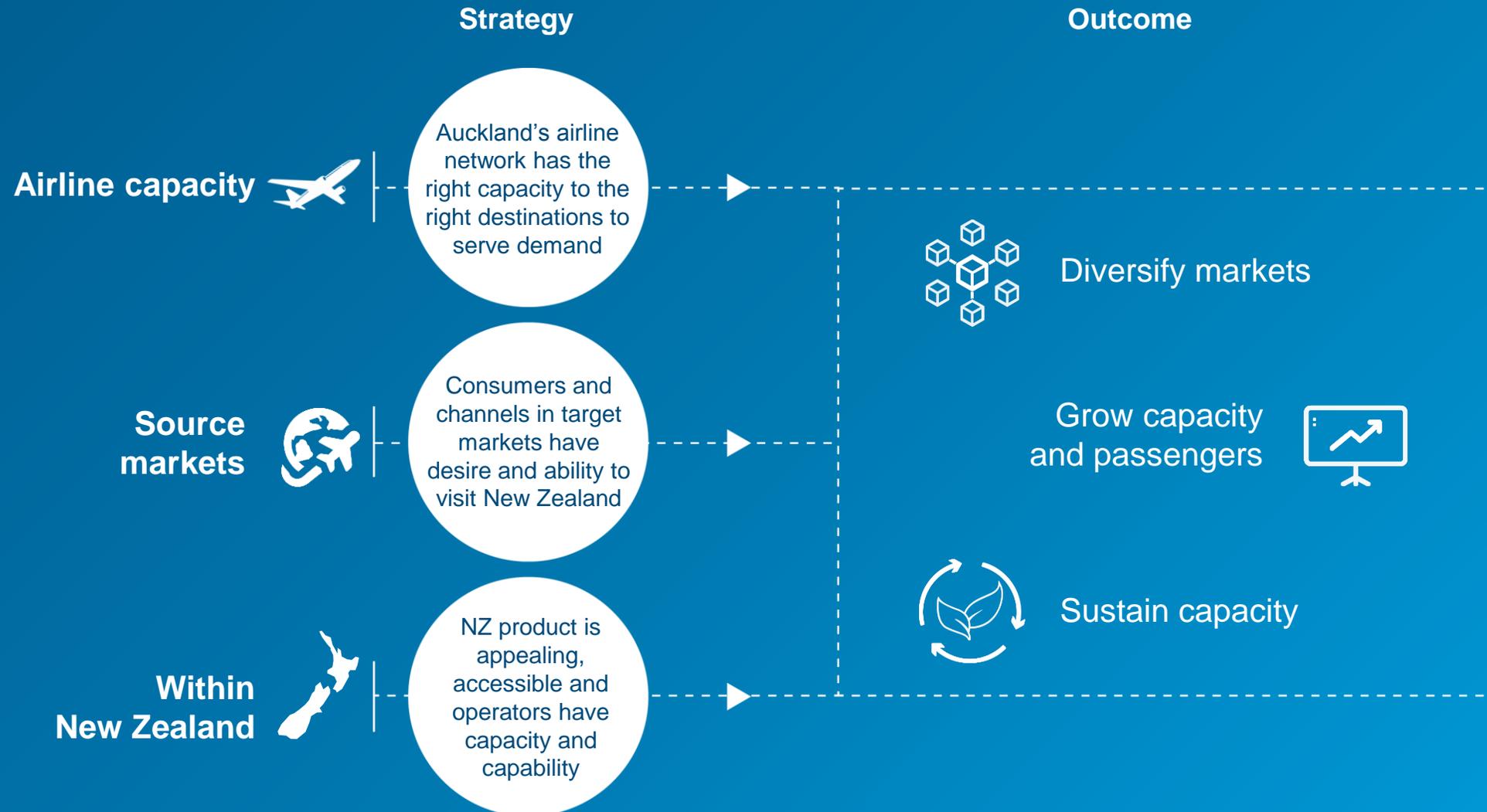
**+35%**

Forecast Auckland hotel capacity increase over the next 4 years

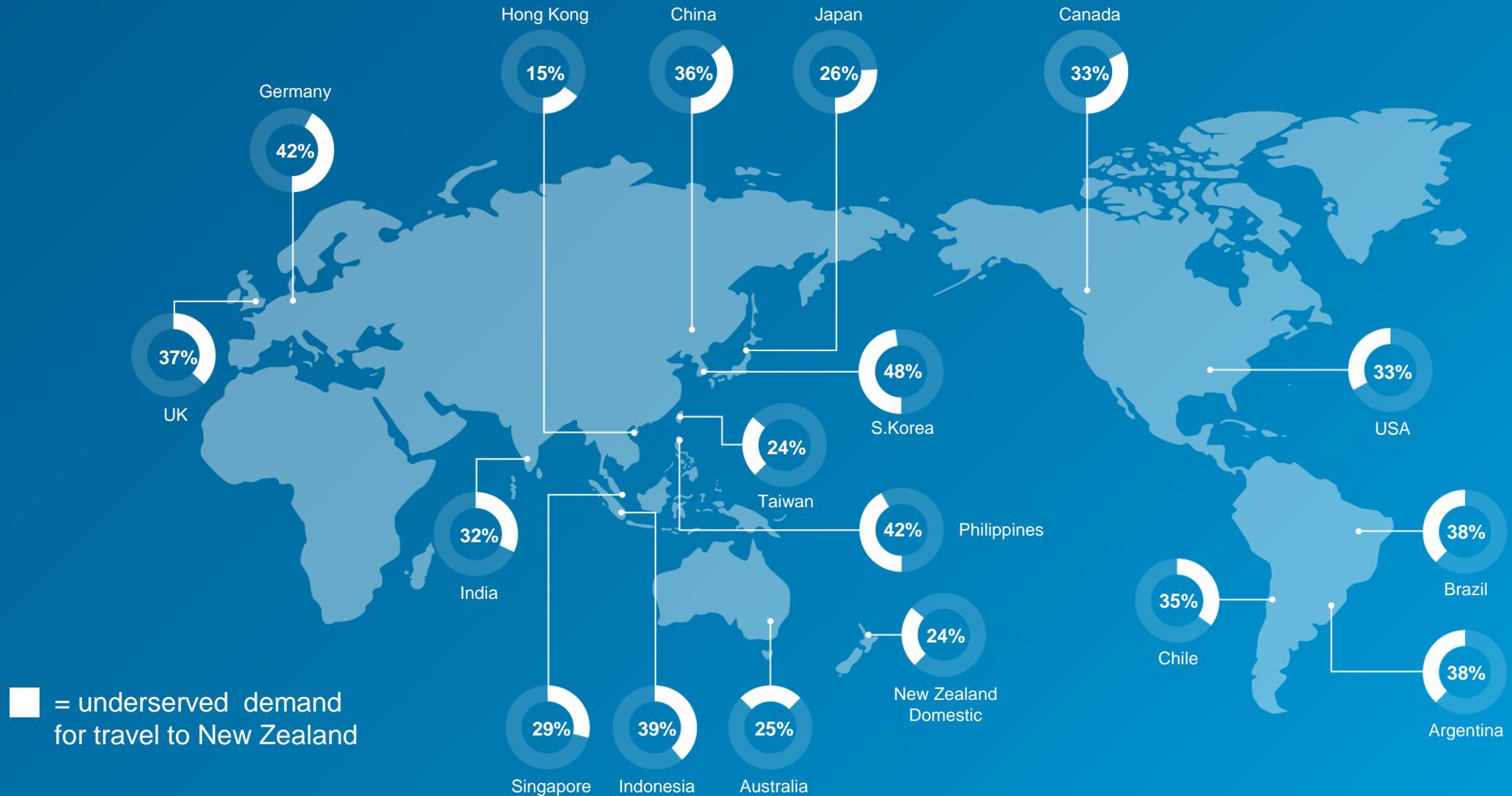
**81%**

New Zealand hotel occupancy suggests capacity is still available

# Active approach to developing tourism markets



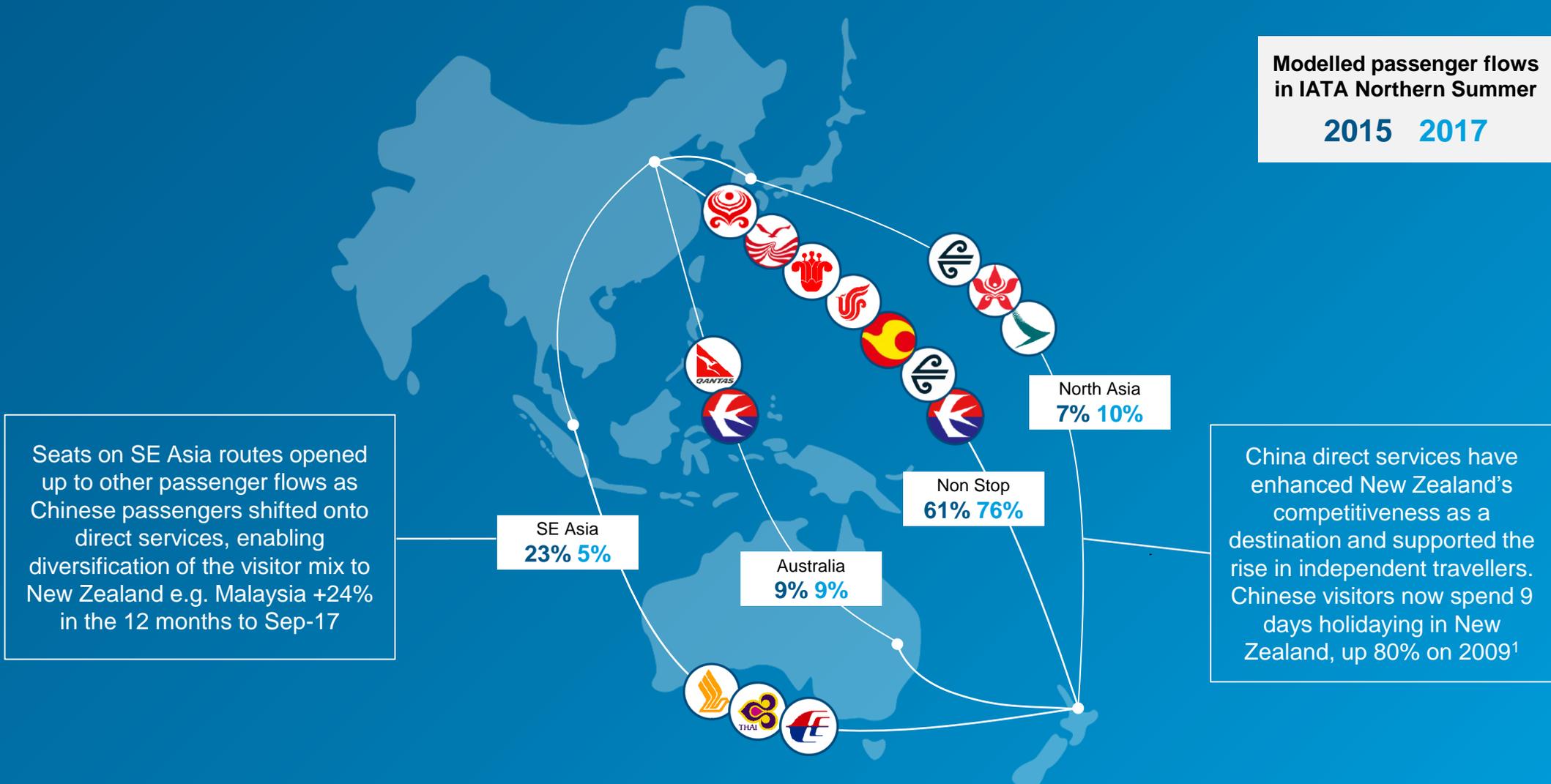
# Demand for travel to New Zealand remains high



# China direct flights have increased NZ's competitiveness as a destination and opened up SE Asia routes

Modelled passenger flows  
in IATA Northern Summer

2015	2017
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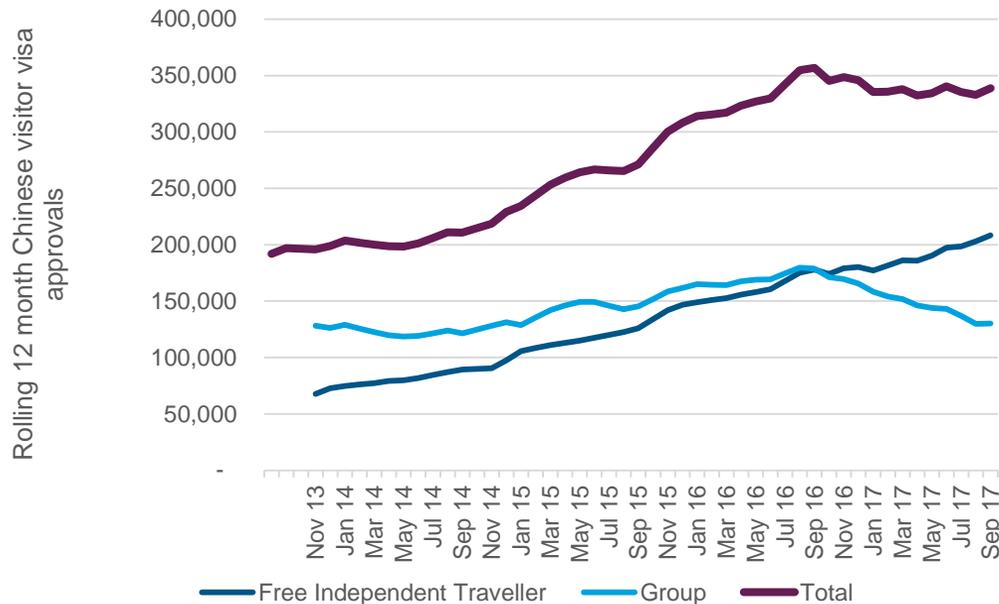


Seats on SE Asia routes opened up to other passenger flows as Chinese passengers shifted onto direct services, enabling diversification of the visitor mix to New Zealand e.g. Malaysia +24% in the 12 months to Sep-17

China direct services have enhanced New Zealand's competitiveness as a destination and supported the rise in independent travellers. Chinese visitors now spend 9 days holidaying in New Zealand, up 80% on 2009<sup>1</sup>

# Chinese market is evolving quickly

## Chinese passenger mix has changed significantly towards higher value independent travellers



Source: Immigration New Zealand, Auckland Airport analysis

## We remain confident in future Chinese passenger growth

**+350m**

Additional middle class Chinese by 2022<sup>1</sup>

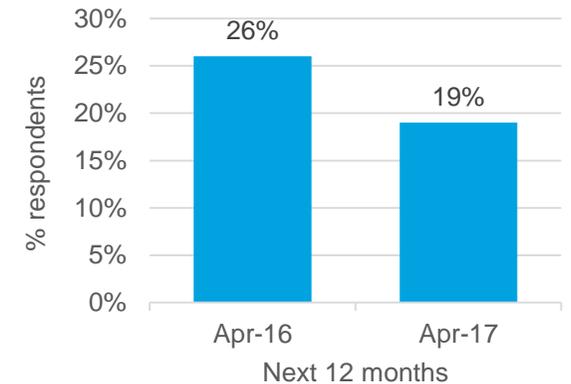
**200m**

Forecast Chinese overseas trips in 2020, up from 122m in 2016<sup>2</sup>

**7,240**

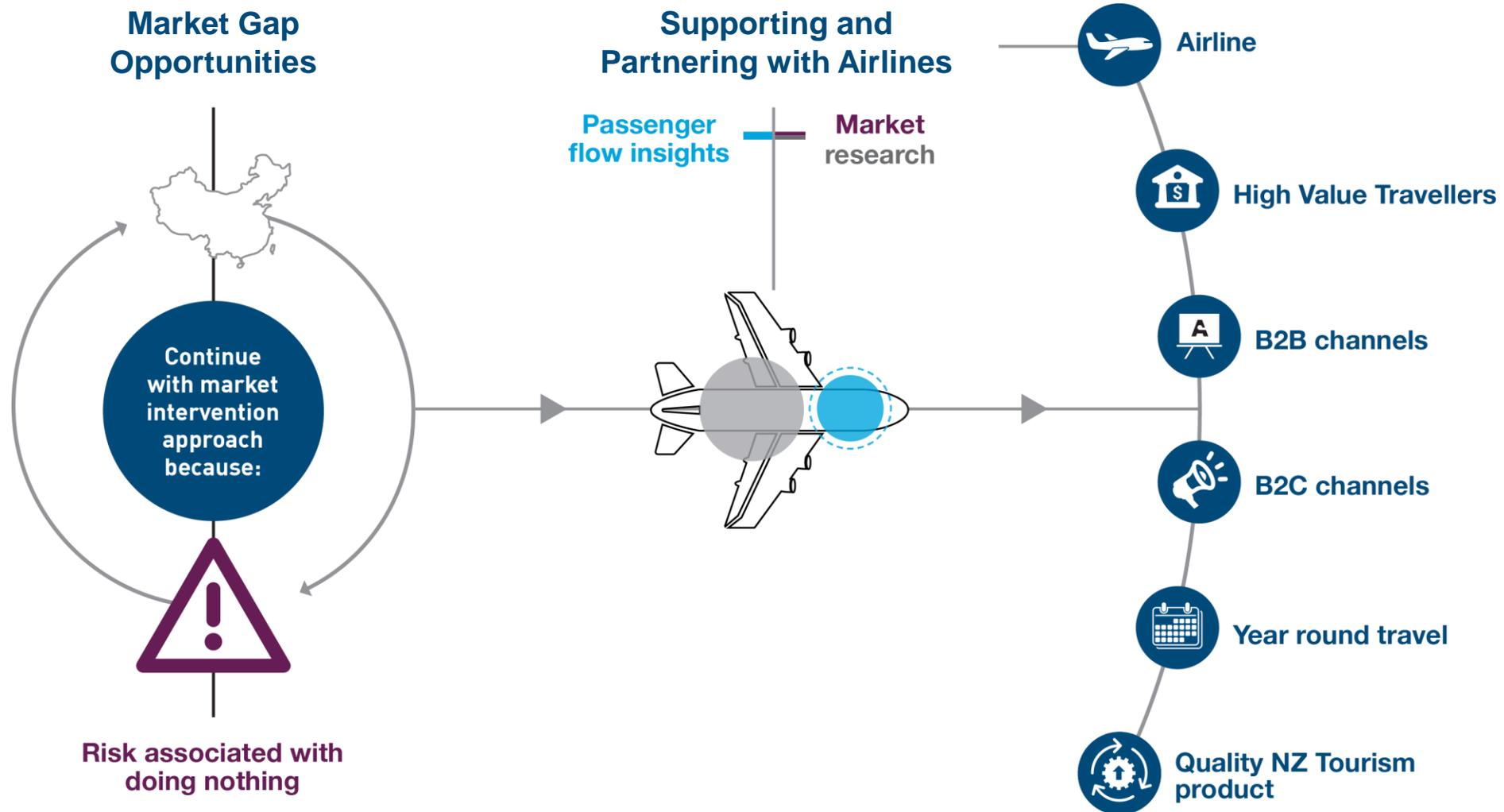
Aircraft deliveries forecast by 2036, taking China's share of world aircraft fleet to 17% (14% in 2016)<sup>3</sup>

### Shopping as a reason for visiting other countries



Chinese travellers are shifting focus from shopping to leisure experiences – suiting New Zealand tourism product<sup>4</sup>

# Driving passenger demand from the China market

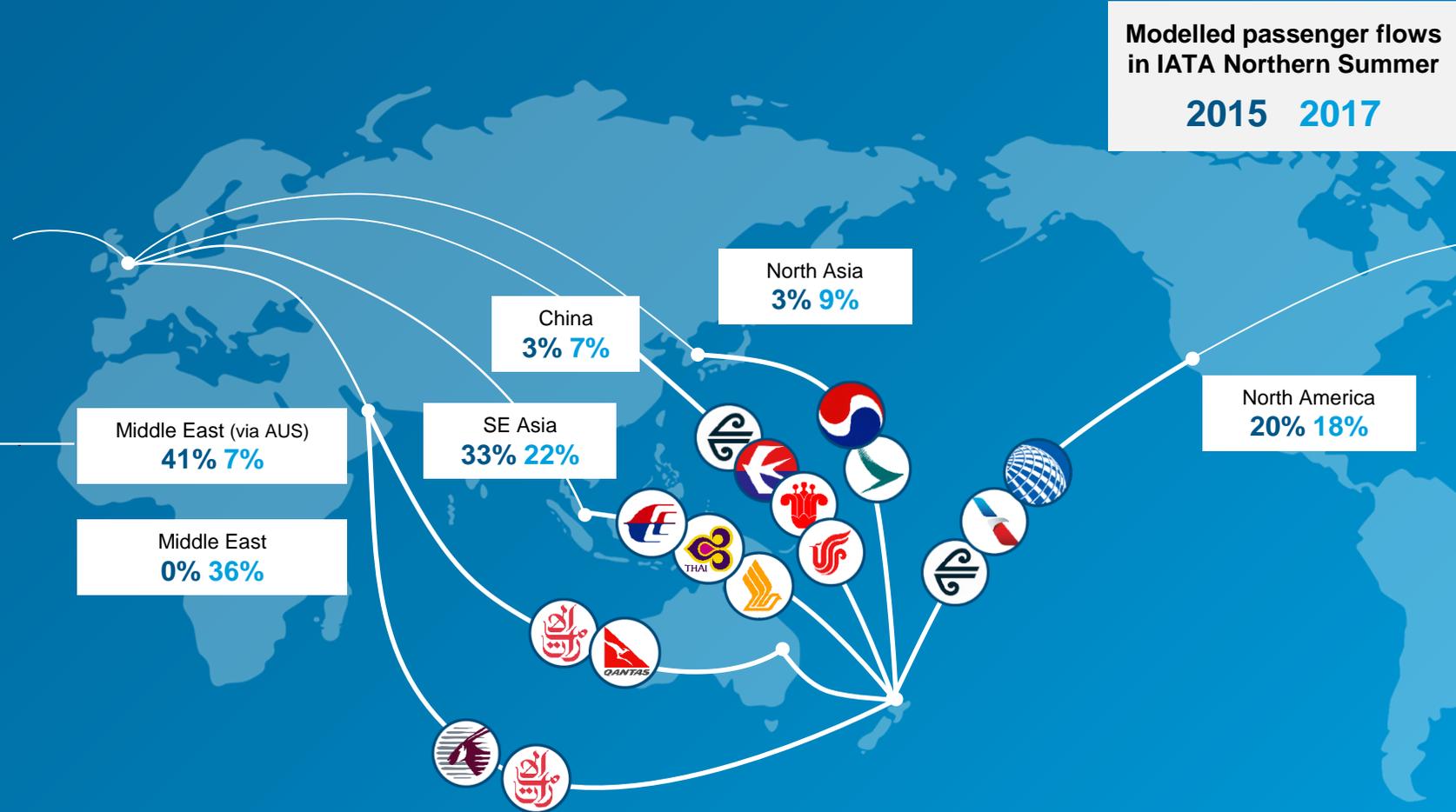


# Direct Middle East flights transformed European visitation

Modelled passenger flows  
in IATA Northern Summer

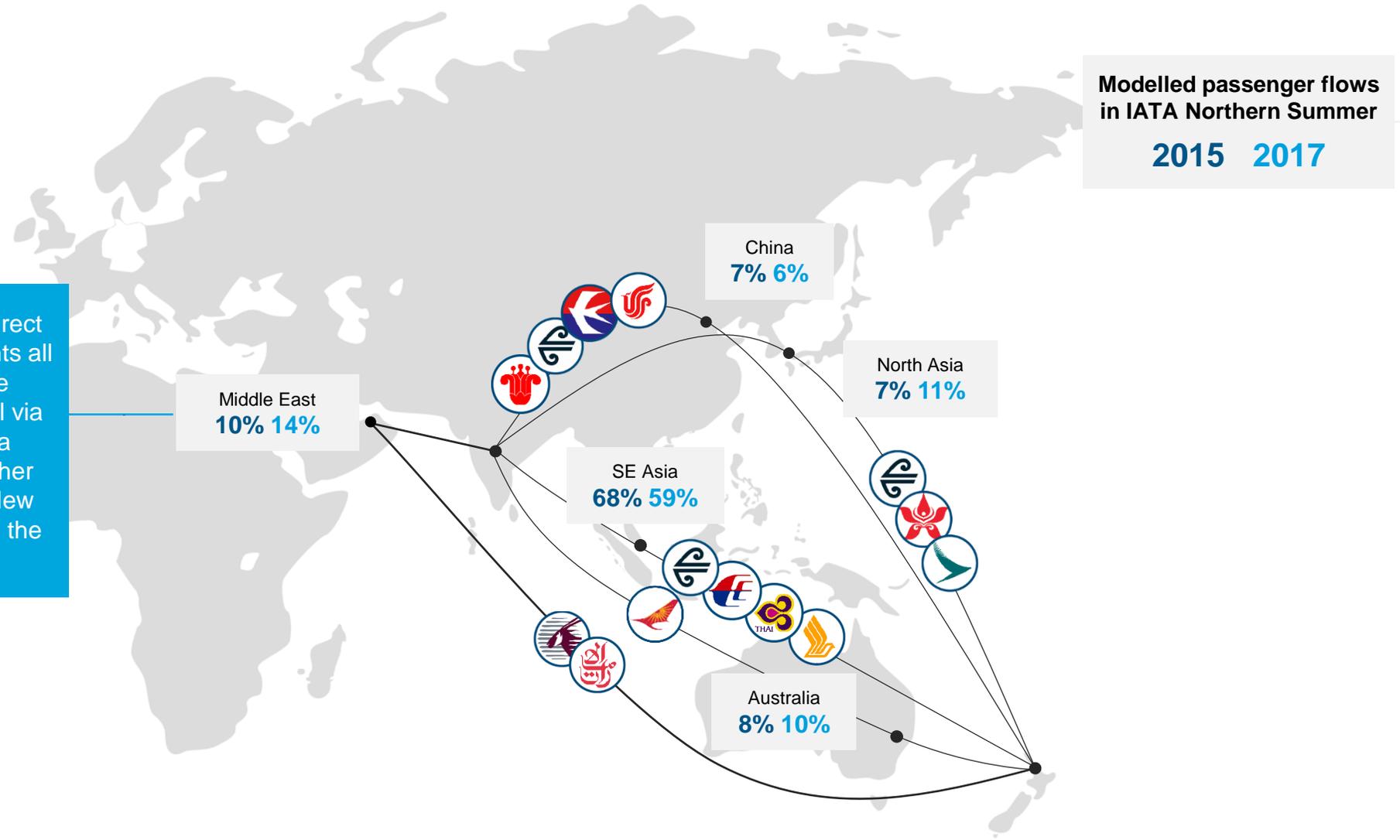
2015	2017
------	------

Middle East direct flights create a one stop connection to 40 European cities, increasing connectivity and enabling rapid growth. European visitors to New Zealand were up 15% in the 12 months to Sep17



# India is underserved, traffic flows through multiple hubs similar to China flows before direct flights to New Zealand

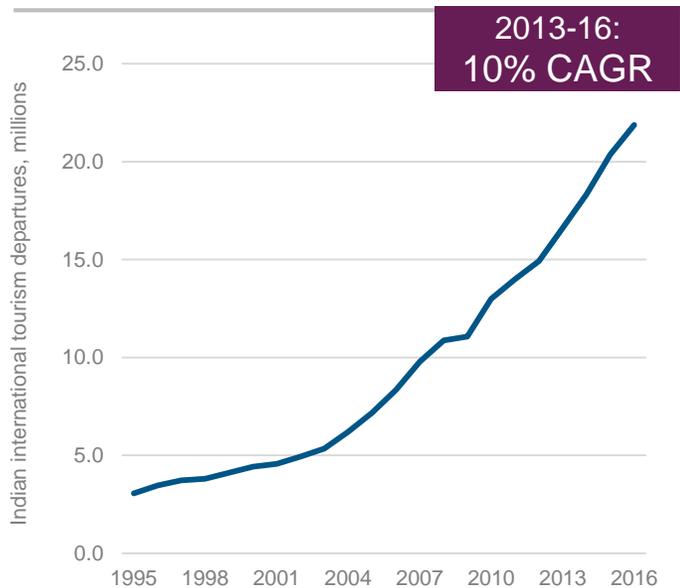
Due to the absence of direct India – New Zealand flights all passengers must take connecting flights. Travel via Middle East requires a backtrack and often higher fare. Indian visitors to New Zealand were up 17% in the 12 months to Sep17



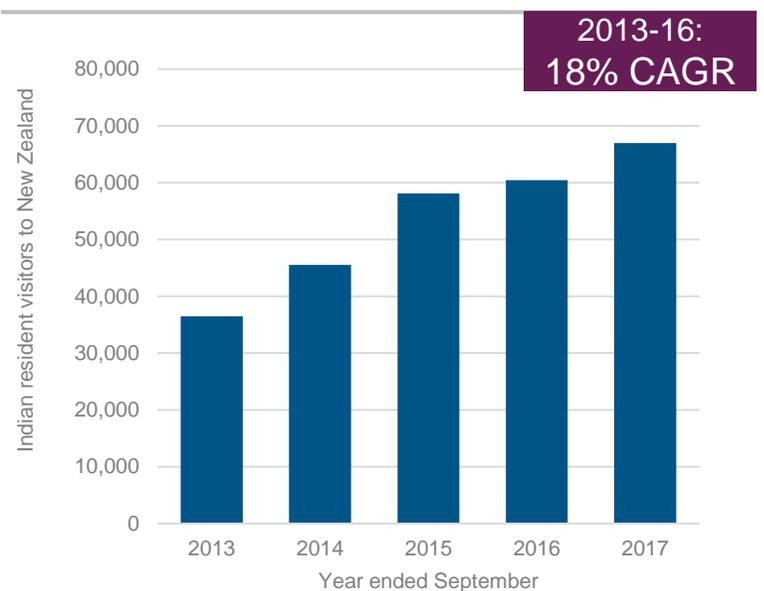
Source: Auckland Airport network model

# 13.7 million Indians are actively considering travel to New Zealand

Indian outbound departures are growing rapidly...

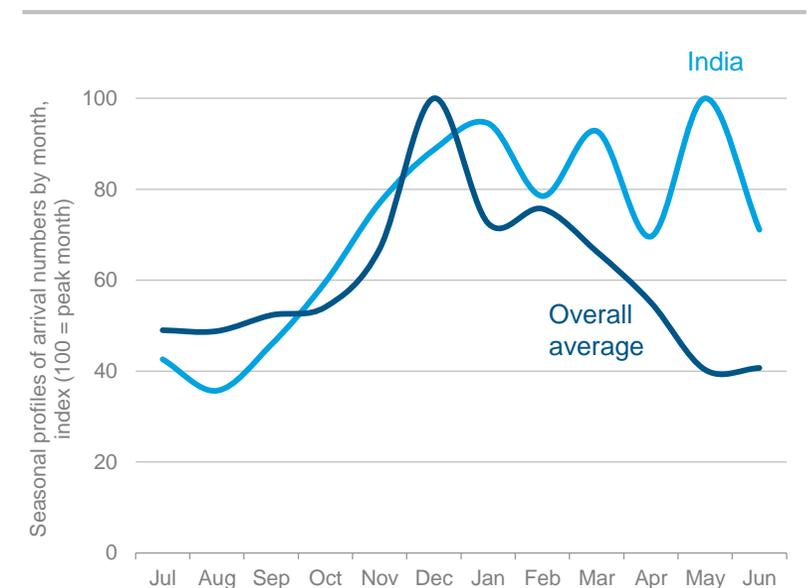


...and New Zealand is capturing an increasing share, but still only represents 0.3% of total outbound departures<sup>1</sup>

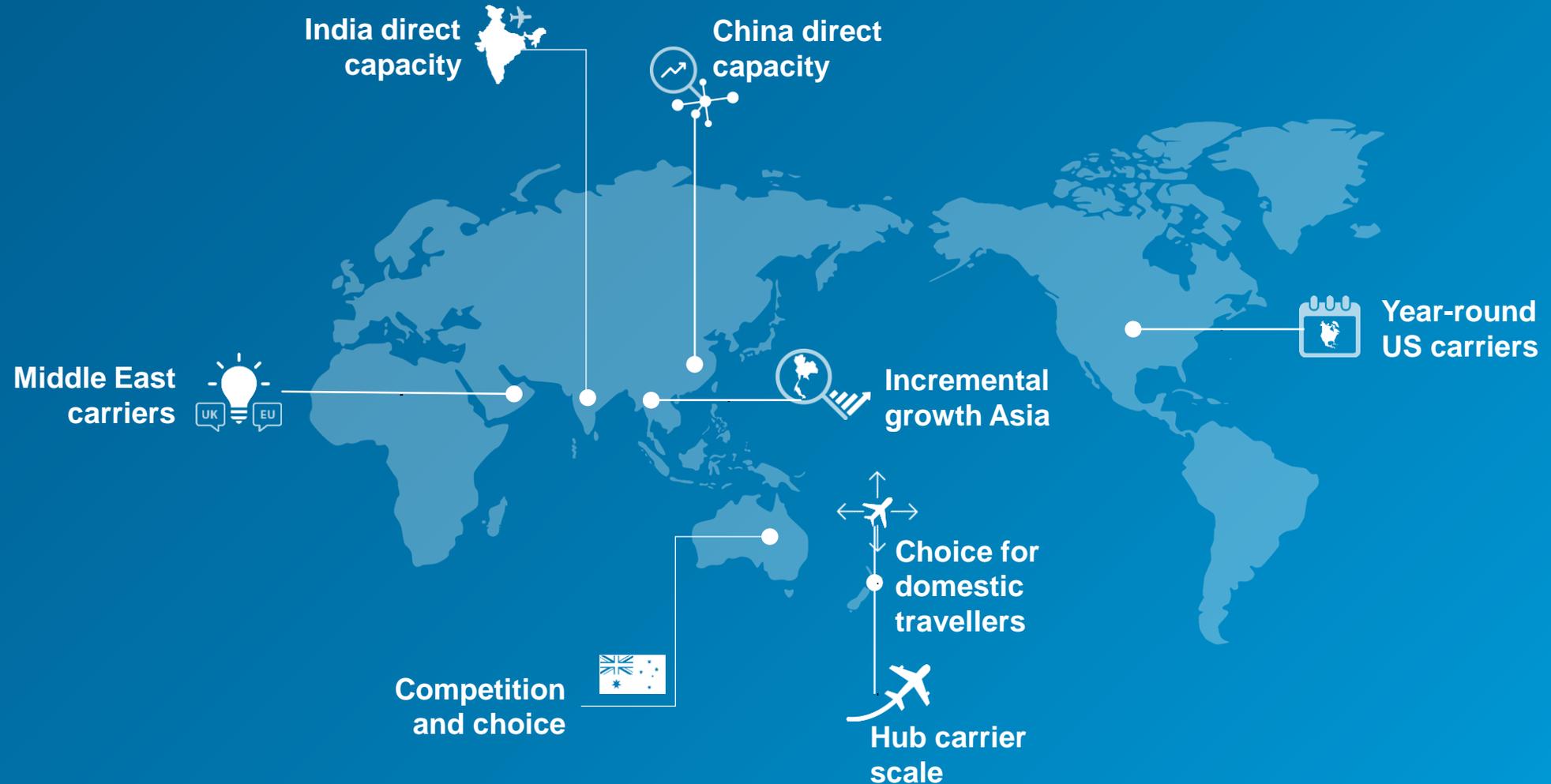


13.7 million Indians are actively considering travel to New Zealand<sup>2</sup>

Indian visitors often travel in the off peak season in New Zealand<sup>3</sup>



# Route development is focused on multiple opportunities for growth



# Market development is focused on driving off peak passenger demand



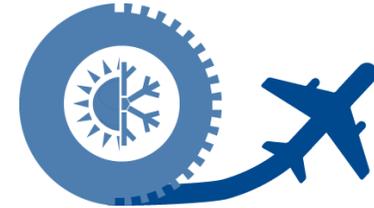
## Australian market

Auckland as a short break destination



## Australian winter market

North Island as a winter holiday destination



## United States

Driving demand across the year



## China

Winter visitation, digital channel focus  
Tier 1 & Tier 2 markets focus



## SE & North Asia, UK/EU, Argentina

Shoulder & winter season, partnership focussed

# Driving aeronautical growth summary



## Grow travel & trade markets

- New Zealand is underserved
- Macro environment is supportive of continued growth
- Strategy to grow, sustain, diversify capacity and market mix
- Market development work is focused on driving off-peak demand and future growth markets
- Continue pursuing multiple route development opportunities



## Market development activity is extensive

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**World Routes 2017 Award  
Video Submission**



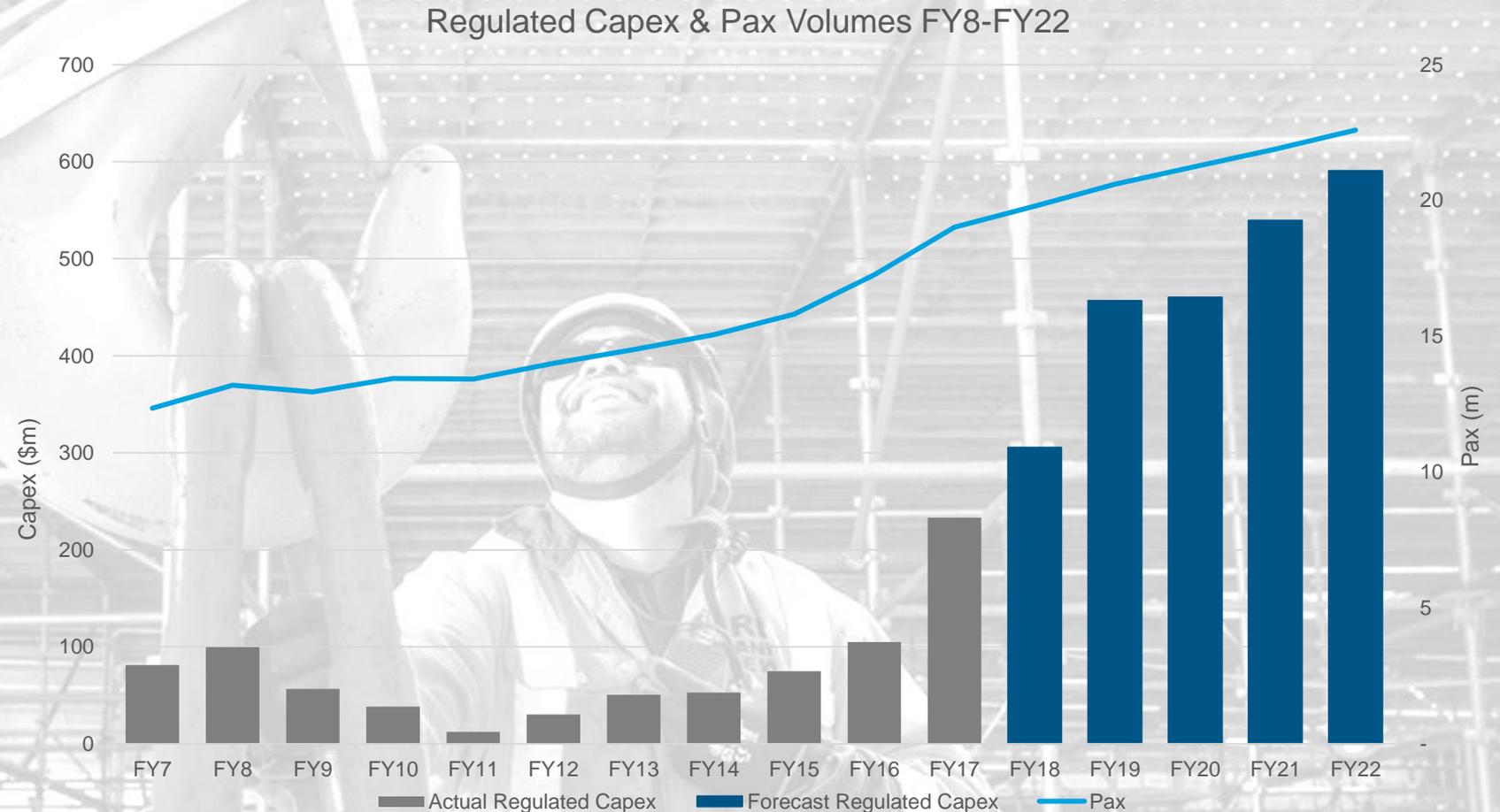
# Investing for future growth

Steven Crook

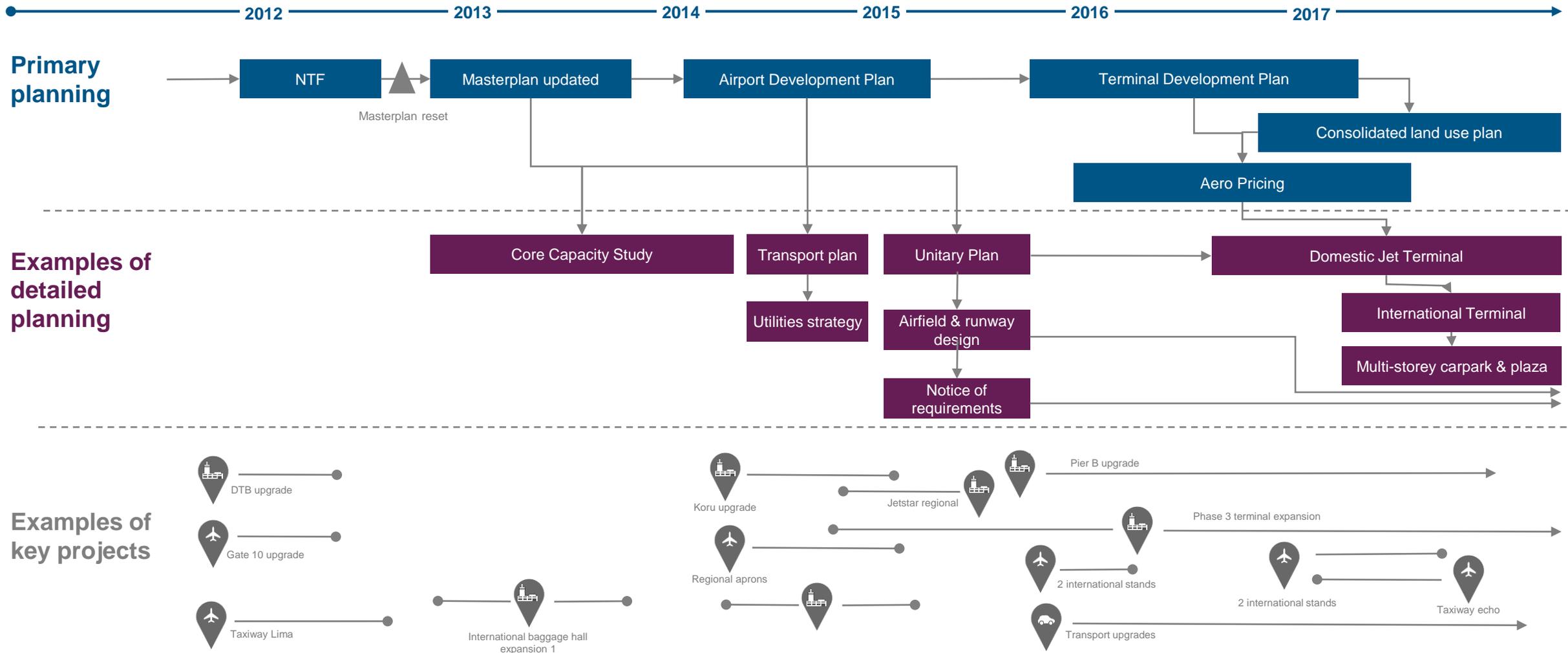
# Substantial growth and asset renewal driving capital investment

As growth has accelerated, capital spend has been brought forward to meet demand

We invested 80% more capex than planned in PSE2



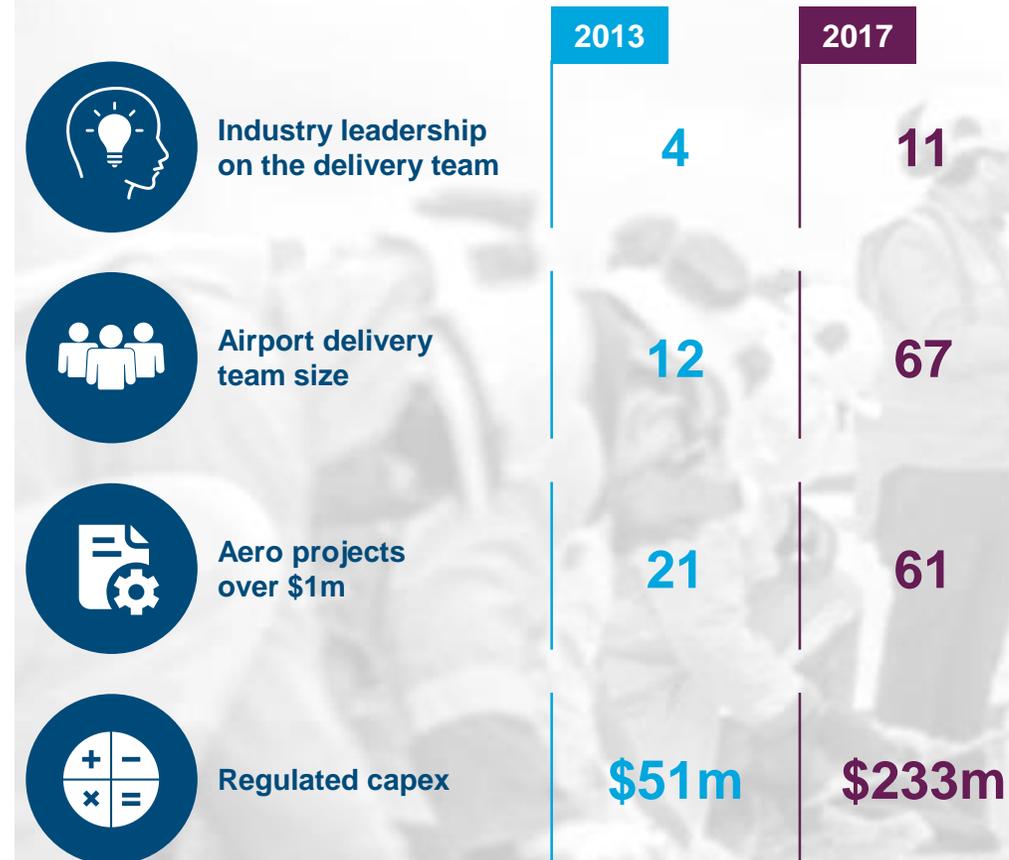
# Fundamental change in masterplan after airline feedback led to significant planning demands, but development continued in parallel



Note: Examples, not exhaustive

# Considerable expertise put in place

## Step change in the airport's delivery capability



## That have worked on some of the worlds leading infrastructure projects





Heathrow T5



Melbourne Airport Expansion



Hamad Airport Qatar



Gatwick Airport expansion



Brisbane Airport expansion



Changi Airport expansion



Crossrail UK



Hinkley Point Nuclear



Saudi Metro



Mercury

# Supported by key partnerships

## Examples

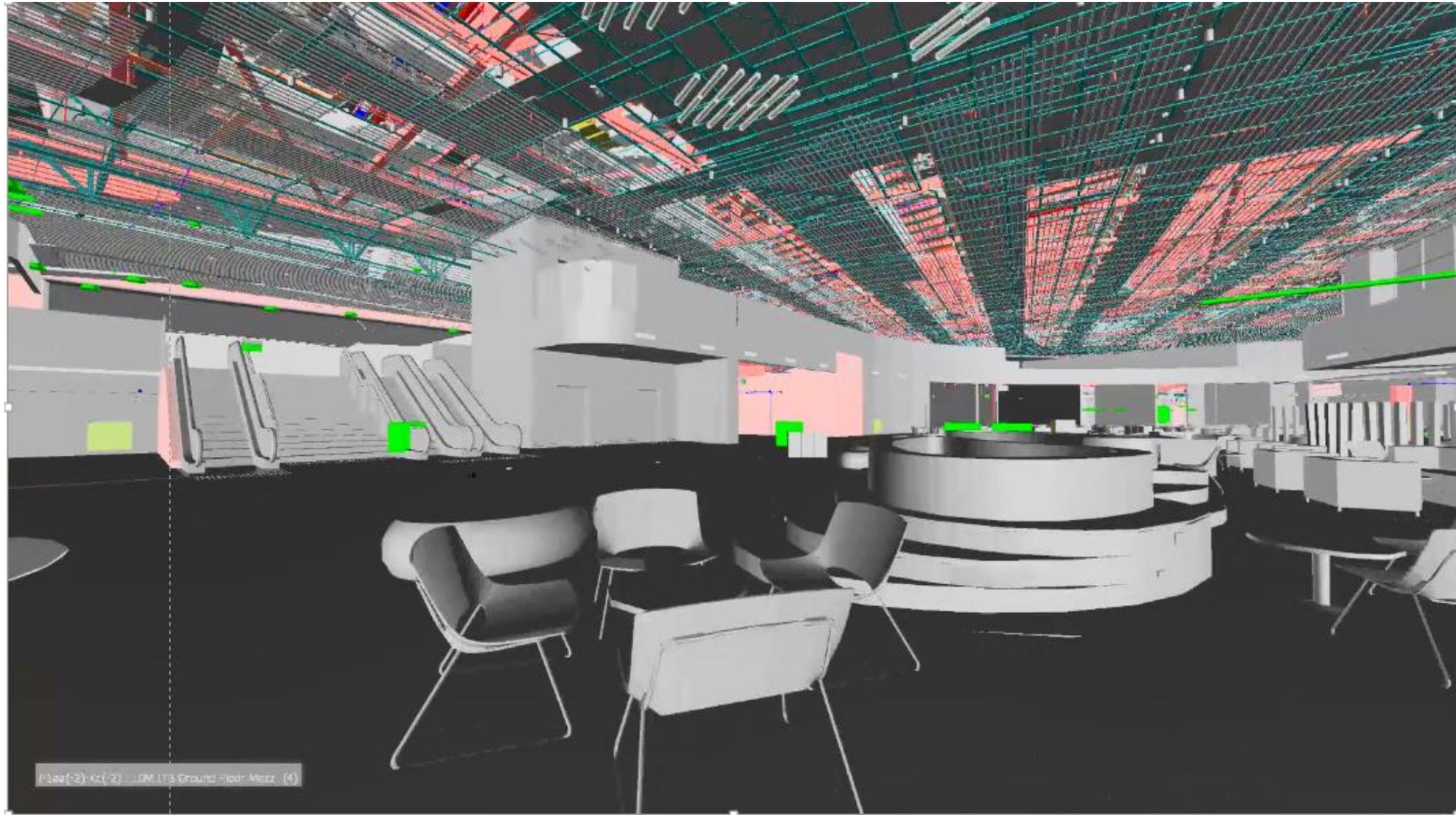
Supported by key partners and a highly experienced Board



# Adding leading systems, tools and technology to enhance long term capability



# An illustration of our project tool: efficiency through BIM



# Our investment in capability is delivering results

**100%**

Investment against plan<sup>1</sup>

**100%**

Completed against plan<sup>1</sup>

**97%**

Incepted against plan<sup>1</sup>

**>40**

Projects over \$1m delivered since 2015

*to maintain, enhance and expand our airfield and terminals, and to increase the resilience of our utilities and transport networks*

**1/5**

Construction accident frequency rate

*of the New Zealand average*

**50,000**

sqm of new or completely refurbished terminal space<sup>2</sup>

<sup>1</sup> Since 2015  
<sup>2</sup> Between 2015 and Phase 3 delivery mid 2018

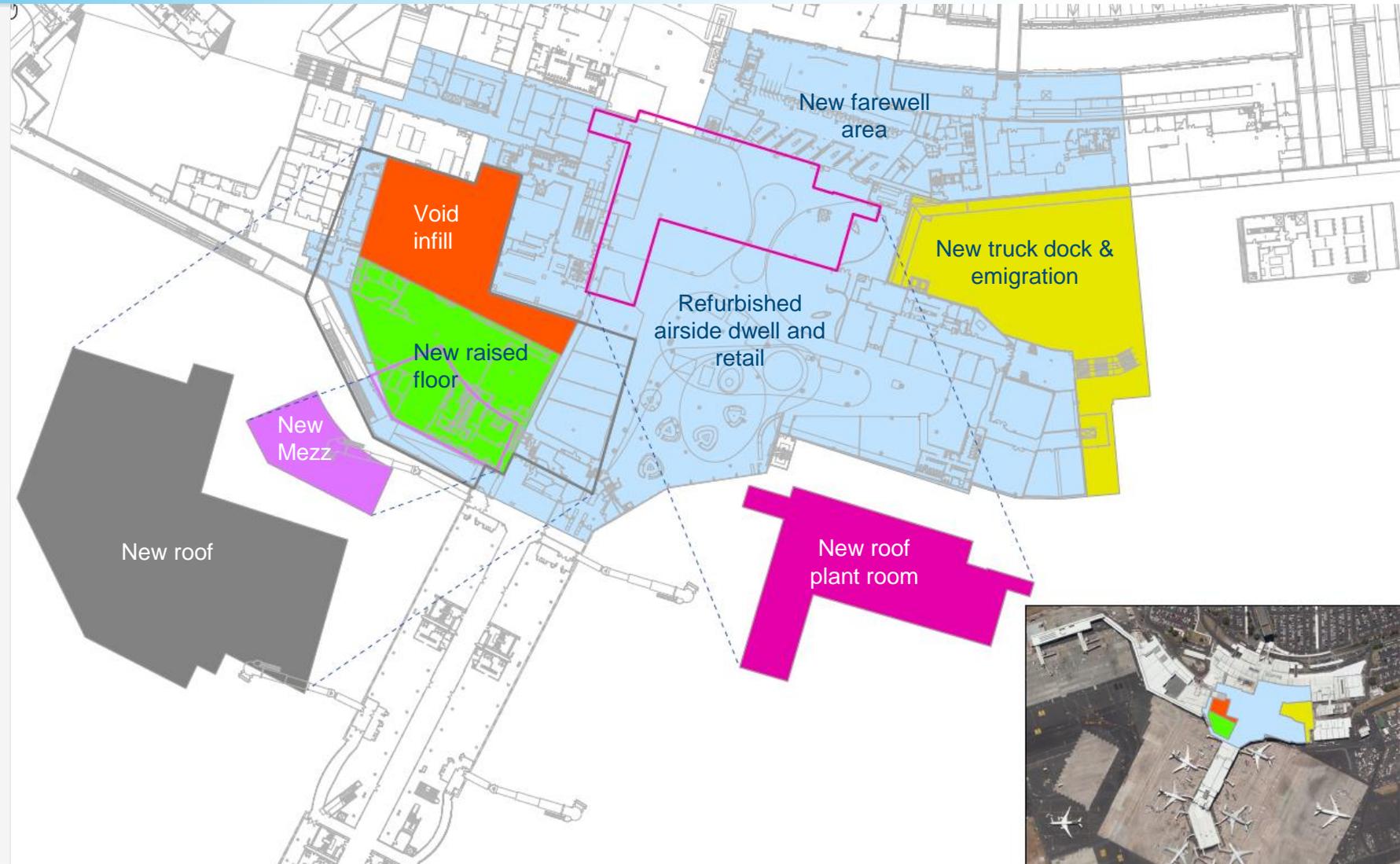
# Our programme over the next five years



# Phase 3 – International departures expansion

## Key benefits:

- ~35,000 sqm of new and refurbished floor space
- Doubled capacity for departure processing including customs clearance and security screening
- New decompression area
- Enhanced airside dwell space
- Increased retail space
- Transformed customer journey
- Significantly enhanced departure experience
- A platform for future expansion



# New Domestic Jet Terminal

## Key benefits:

- Integrated terminal allowing direct access between domestic and international travel
- Step change increase in passenger processing capability
- Common landside functions
- Swing operations on the airfield
- New airline lounge facilities
- Enhanced transport forecourt
- Expanded domestic retail offering

Reference image only, actual design will vary



# Northern Runway

## Key benefits:

- A step change in runway capacity
- Enhanced resilience to the airport runway system

## Timing:

- Around 2028 based on forecast demand

## Next steps:

- Notice of requirement process underway
- Working with stakeholders to maximise the efficiency of the existing runway
- Undertaking feasibility work focused on efficient design, procurement and construction
- Airfield capacity enhancement of current runway

# Transport

## Key benefits:

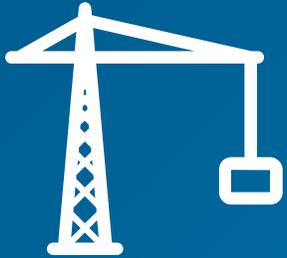
- Improving land transport is a key priority for Auckland Airport
- Requires a multi-mode solution
- Working with Auckland Transport and NZTA to improve traffic flows across the wider network

## Projects:

- Nixon Road upgrade
- Northern Park and Ride expansion
- New High Occupancy Vehicle (HOV) lanes
- Improved public transport access to the domestic terminal
- Pedestrian bridge over George Bolt Memorial Drive
- New one-way terminal loop road



# Investing for future growth summary



## Investing for future growth

- Our careful planning has provided a robust platform for focused expansion
- We have built an enviable team with a wealth of experience in efficient delivery
- We have built solid partnerships with key stakeholders and suppliers
- We are on target – tripling our annual capital investment since 2015
- Our major projects are already delivering or well underway - Phase 3, Domestic, Transport



## Be fast, efficient & effective

- We see huge opportunity for efficiency in the construction industry through intelligent systems
- We are early adopters and are already seeing substantial benefits
- We will continue to innovate to drive efficiency





# Q&A



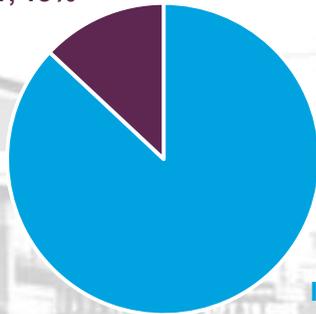
# Enhancing the retail experience

Richard Barker

# Auckland Airport's retail business

## Retail income

Other, 13%



ITB, 87%

Retail income is largely driven by the international terminal

$$\text{PSR} \times \text{PAX} = \text{Sales}$$

$$\text{Sales} \times \text{Yield} = \text{Concession income}$$

Retail income is the greater of the minimum annual guaranteed rent by retailer and the concession income

**65**

Retail stores in International

**24**

Retail stores in Domestic

**11k**

Car parking spaces

**\$5**

Wide range of car parking price points from \$5 per day

# What is unique about our retail business

## #1

Highest individual footfall of any retail operator in New Zealand

## >\$10b

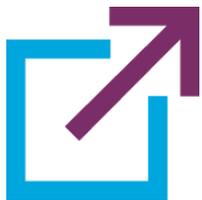
Size of domestic retail markets we compete in

Source: Marketview NZ spend data on AIAL categories (physical stores and online)

## 2x

Retail sales growth p.a. vs equivalent high street and shopping mall competitors in greater Auckland

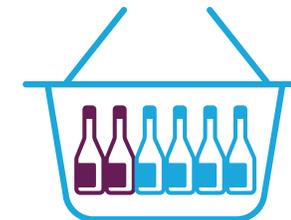
Source: Marketview



Online/MRM are removing the physical constraints of operating in an airport environment



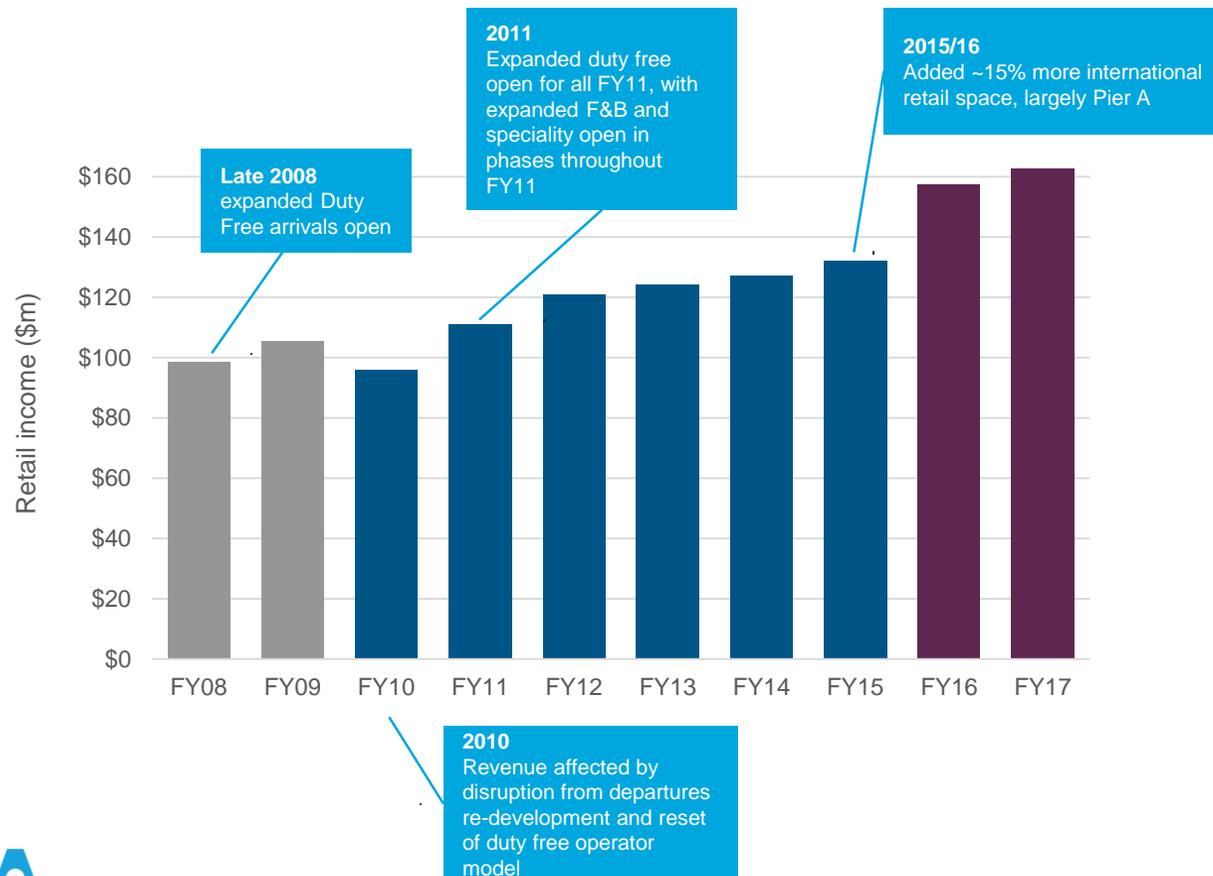
High value customers with high propensity to spend



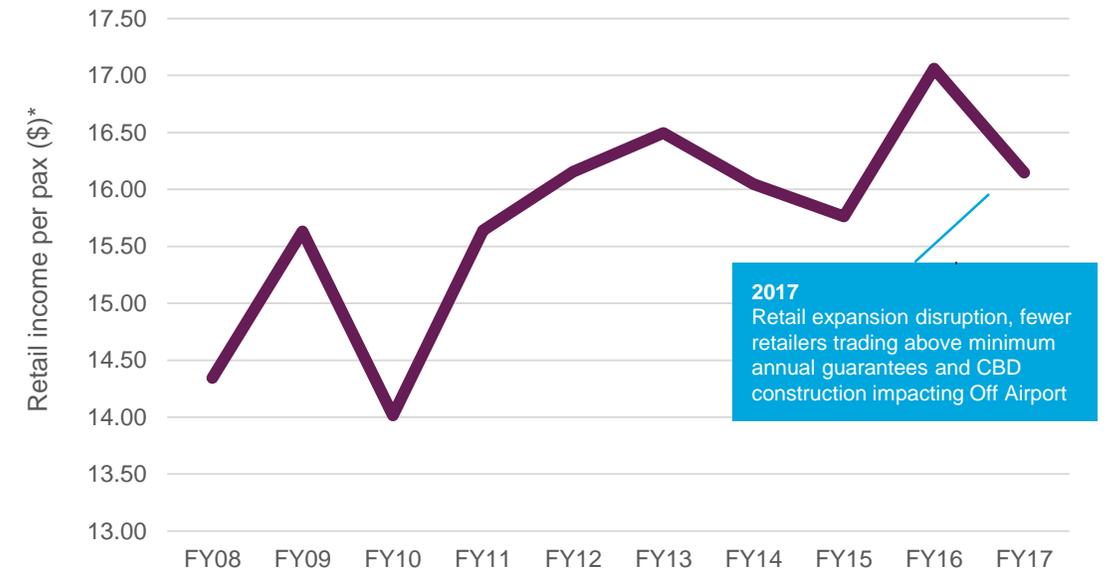
Potential to continue to grow latent duty free opportunity

# Retail income has grown at a CAGR of 5.7% since FY08

Retail income growth driven by: passenger growth, strong leasing program, new space and continuous upgrade of offer



Retail income per passenger has trended up over the last ten years, but at a slower rate. Our challenge is to accelerate this



\*Retail income divided by international and half of transits  
FY16 excludes the impact of a one-off accrual release

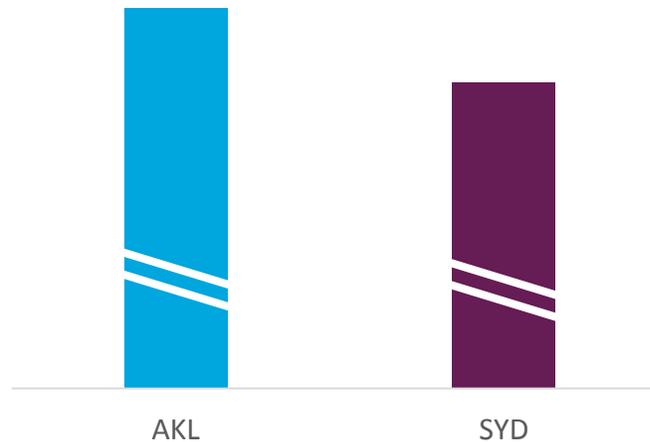
# Retail performance compares well to industry benchmarks

Terminal retail sales are growing faster than the wider Auckland retail market

**+8.6%**  
Auckland Airport FY17 growth vs the wider Auckland retail market +3.6%

Retail productivity fares well compared with Sydney, consistent with temporary limited supply and ongoing demand for space

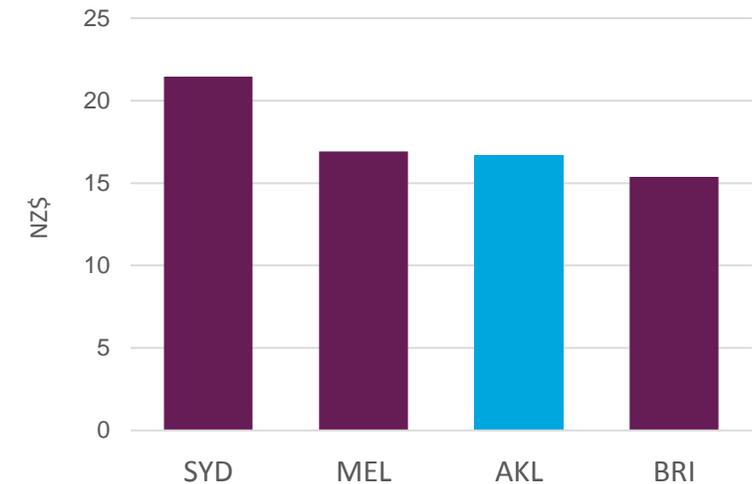
FY17 Retail income per sqm



Note: Melbourne and Brisbane airports do not disclose retail sqm for comparison  
Source: Sydney airport disclosures, Auckland Airport analysis

Income per international passenger is on par with Melbourne, which has similar international passengers numbers

FY17 Retail income per international PAX



# Retail and parking strategy is focused on three horizons

To provide a solid foundation for growth and remain relevant to our customers we are focused on achieving the following objectives:

1

## Leverage physical travel retail model

Execute on our vision of introducing new and exclusive brands with flagship concepts that compel customers to experience and discover something new and exciting



2

## Extending reach and improving convenience

Launching our online Multi-Retailer Mall and improved Click&Collect proposition will extend our reach to customers and seamlessly drive cross-purchasing across our product and service offering



3

## Strengthen the relationship with our customers

Leveraging our Strata programme to reward and recognise our customers and communicate more effectively to offer a more personalised experience through the airport

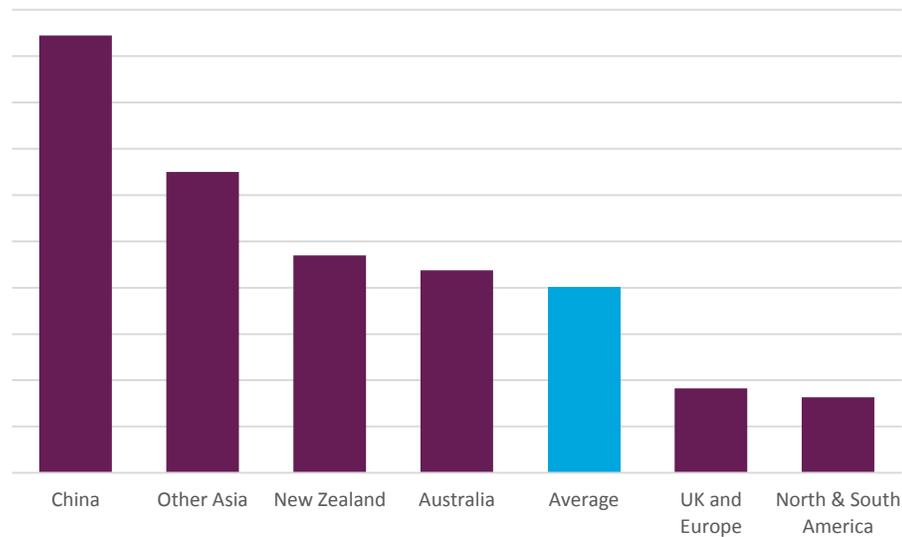


# New way of segmenting our customers is driving force behind Strata Club

Traditionally we measured retail performance by passenger market aligned to passenger growth by route/region...

...however we can now also add a customer lens to our approach

International Duty Free PSR by country of residence



Average annual spend on retail from our top 25,000 unique customers

**\$2k+**

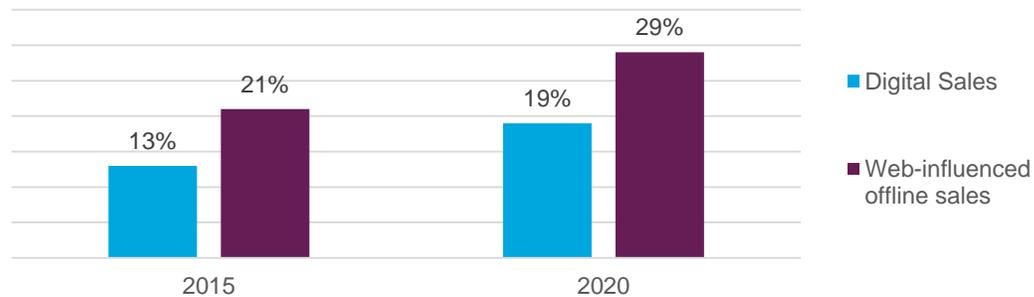
Proportion of parking spend from people who also spend on retail

**48%**

# Multi-Retailer Mall will leverage strong growth in e-commerce

## Digital and web influenced sales are growing rapidly in the Asia-Pacific market and at Auckland Airport

Digital vs Web-influenced sales as a % of total retail sales in Asia-Pacific



Source: Forrester Research, July 19 2016

Proportion of passengers who browse online or on social media before arriving at Auckland Airport to see what products and prices are available

# 46%

Source: AIAL TNS Survey Mar17

## We are investing in our business to enhance the online shopping experience



Our Multi-Retailer Mall will significantly upgrade our online shopping channel

We are upgrading our collection points, logistics and storage facilities to enable future growth through online retail and deliver a better customer experience

We are integrating our Strata (rewards and recognition programme) with MRM to build a profile for every customer and reward spend

# An improved connected cross-channel customer experience

A typical illustrative journey showing how we aim to extend customer touchpoints beyond the physical interaction with the airport

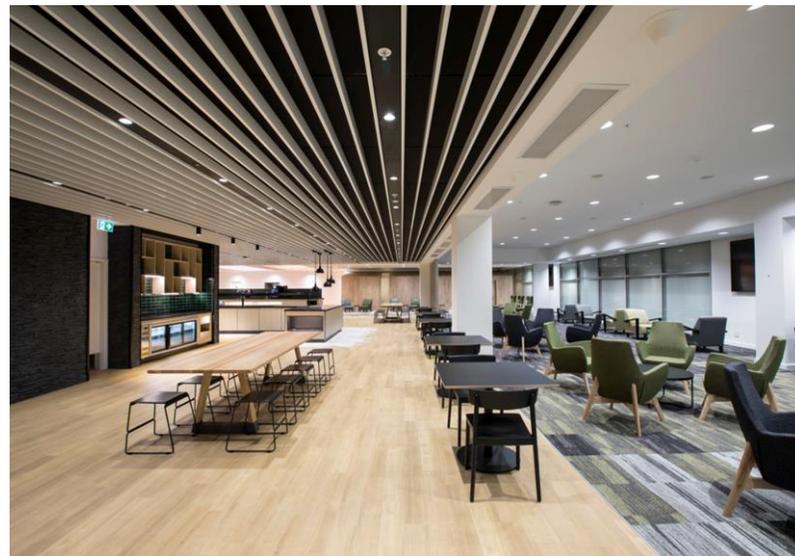


# International departures expansion first stages delivered

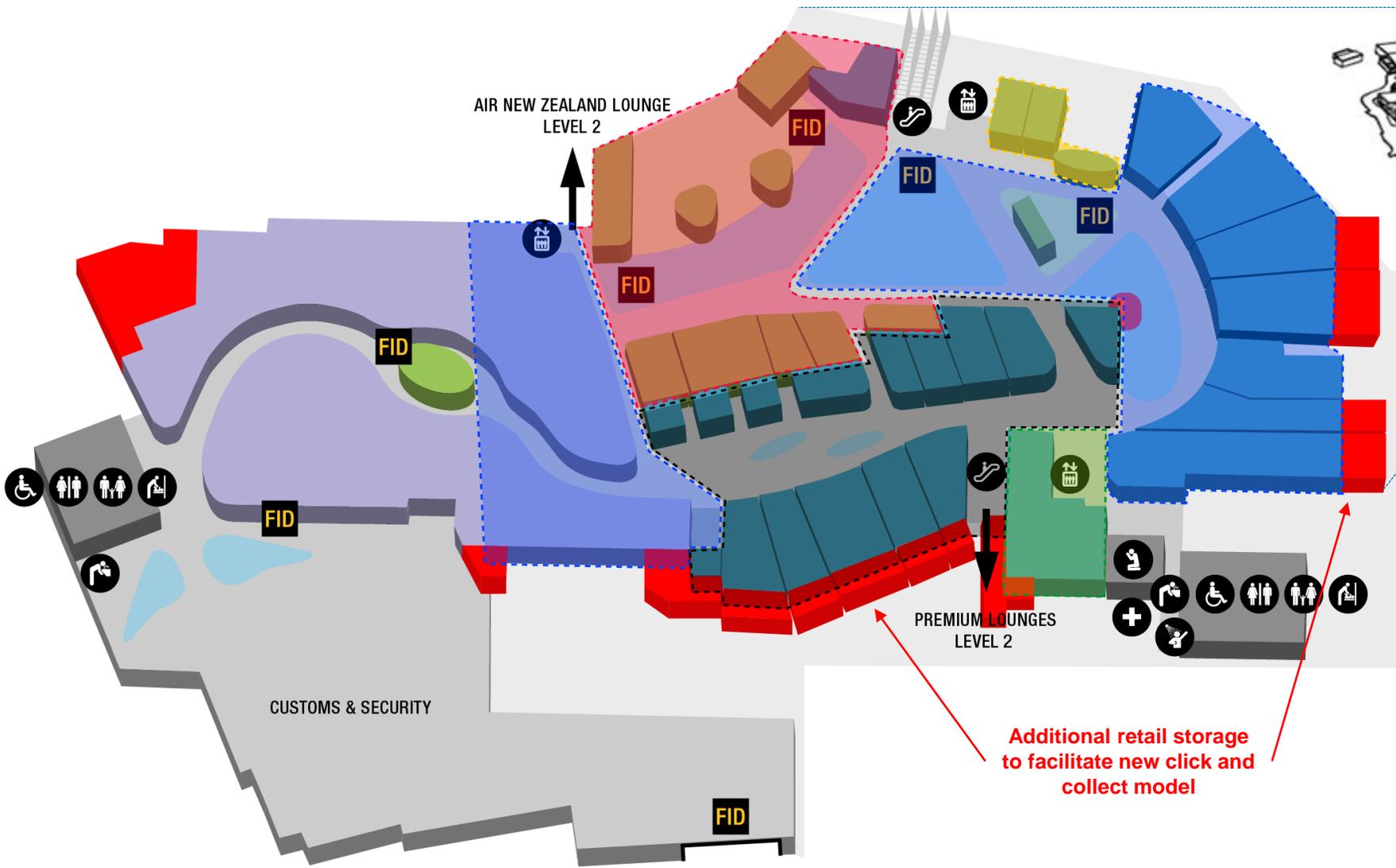
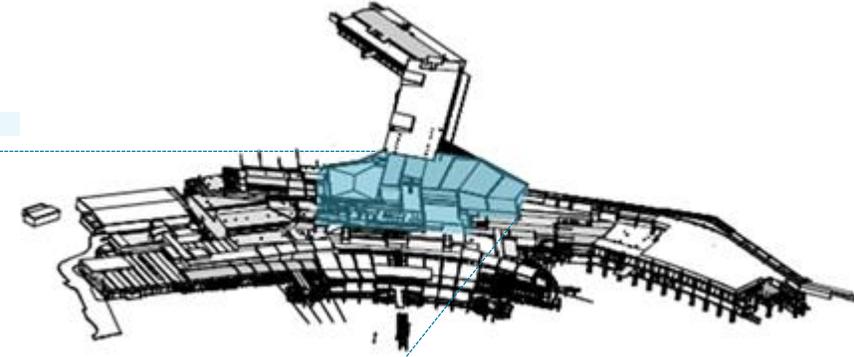
Doubled  
emigration  
area



New lounge  
and duty  
free



# International departures upgrade phasing



## Proposed phasing:

- Q2 FY18** Expanded Duty Free and Western precinct
- Q3 FY18** Remaining Destination offer
- Q4 FY18** Standalone store
- Q1 FY19** Specialty & Luxury High Street
- H1 FY19** Food & Beverage area

**Additional retail storage to facilitate new click and collect model**



# New and exclusive brands with more to come



**ROLEX**

Delivered by Partridge Jewellers  
First NZ airport store

**FURLA**

First standalone NZ store

**FOSSIL**

First standalone NZ store



**LACOSTE**

First NZ airport store



**COACH**

NEW YORK

First NZ airport store

**BOSS**  
HUGO BOSS

First NZ airport store

**LONGCHAMP**

PARIS



First standalone NZ store

# Best of New Zealand and the world

- The increase in international airside dwell area and footprint will help showcase fantastic new concepts
- Includes upgrades to a number of concepts operated by existing retailers providing passengers with a much improved retail experience
- Right: A render of our new honey store, a product particularly popular with Chinese passengers



# Parking growth driven by passengers and new products

**+8%**

Parking income  
FY17 growth

**+101%**

Valet income  
(2 year CAGR)

**+22%**

Park & Ride  
(2 year CAGR)

Car parking  
income has  
been driven  
by a number  
of key factors  
including:

passenger  
growth

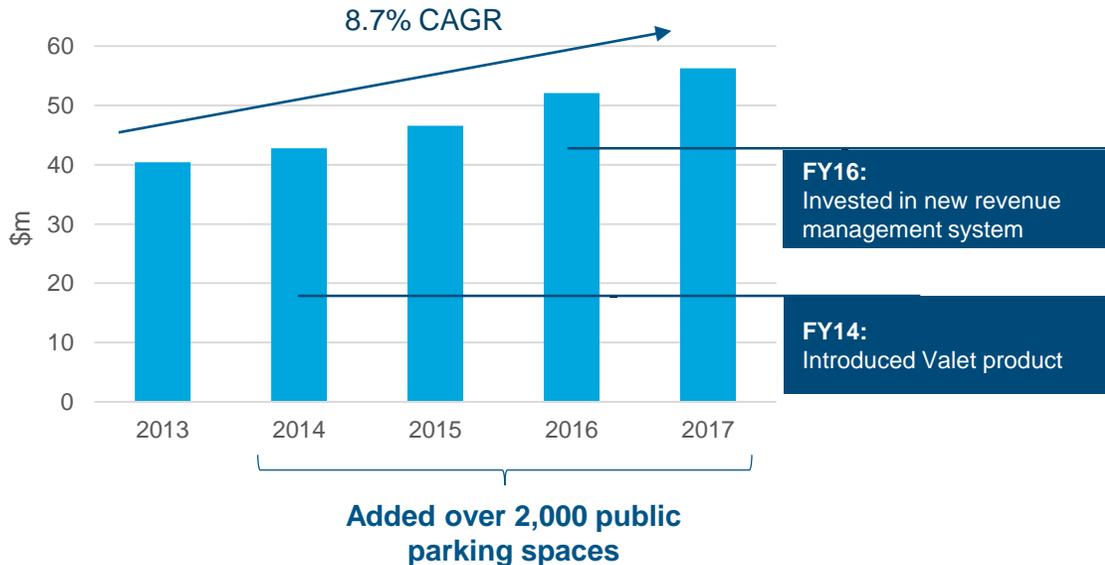


diversifying  
the product  
mix

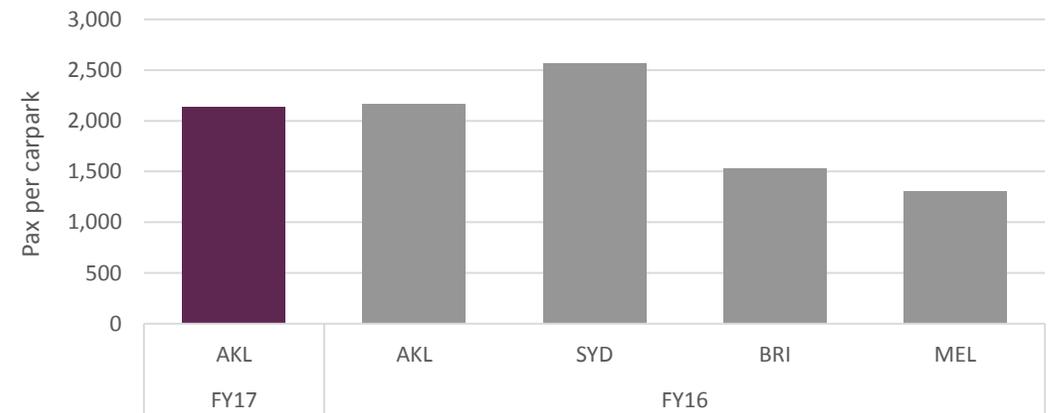


investment  
in space

## Parking income FY13 – FY17



Benchmarking indicates we have an opportunity to add capacity with fewer spaces per passenger than comparable airports like Melbourne

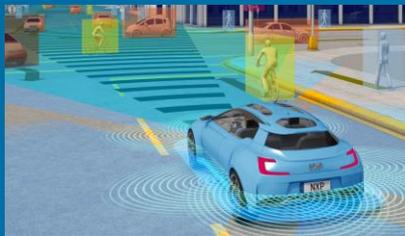


# Positioning our parking business for the future

# +3,000

Net additional carpark brought on board between FY18 and FY20, subject to demand

Primarily around the International terminal in advance of the new Domestic jet terminal being built



We are planning for the future and investing in multi-mode transport infrastructure to improve land access to the airport



New parking products are in the pipeline

Assessing service-based offerings to complement our car grooming offer such as EV charging and vehicle servicing



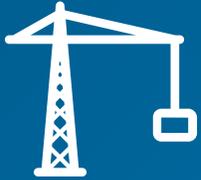
We are rolling out parking guidance systems and investigating new technologies such as license plate recognition to improve efficiency and customer experience

# What are we delivering



● Delivered ● In progress

# Enhancing the retail experience summary



## Investing for future growth

- Adapting to market conditions and providing consumer choice



## Strengthen our consumer business

- Executing on our vision of delivering the Best of NZ and the World
- Exclusive brands with flagship store concepts and compelling design



## Be fast, efficient & effective

- Greater and more effective customer engagement – Strata, Omni, AI
- Developing the multi-channel customer journey





# Digital innovation

Jason Delamore

# Delivering better customer service, efficiency and value

## Where we have come from?

## To where are we going to?

## Outcomes to date

Unknown customers,  
transactional activity



Known and engaged  
customers in a multi  
channel environment



285k known customers, up  
65% year on year

Discrete operations



Total airport  
management concept



44% more passengers  
through same processor

Project delivery



Co-ordinated  
programs of work and  
repeatable integration



Single view of the customer

Passenger process  
measures

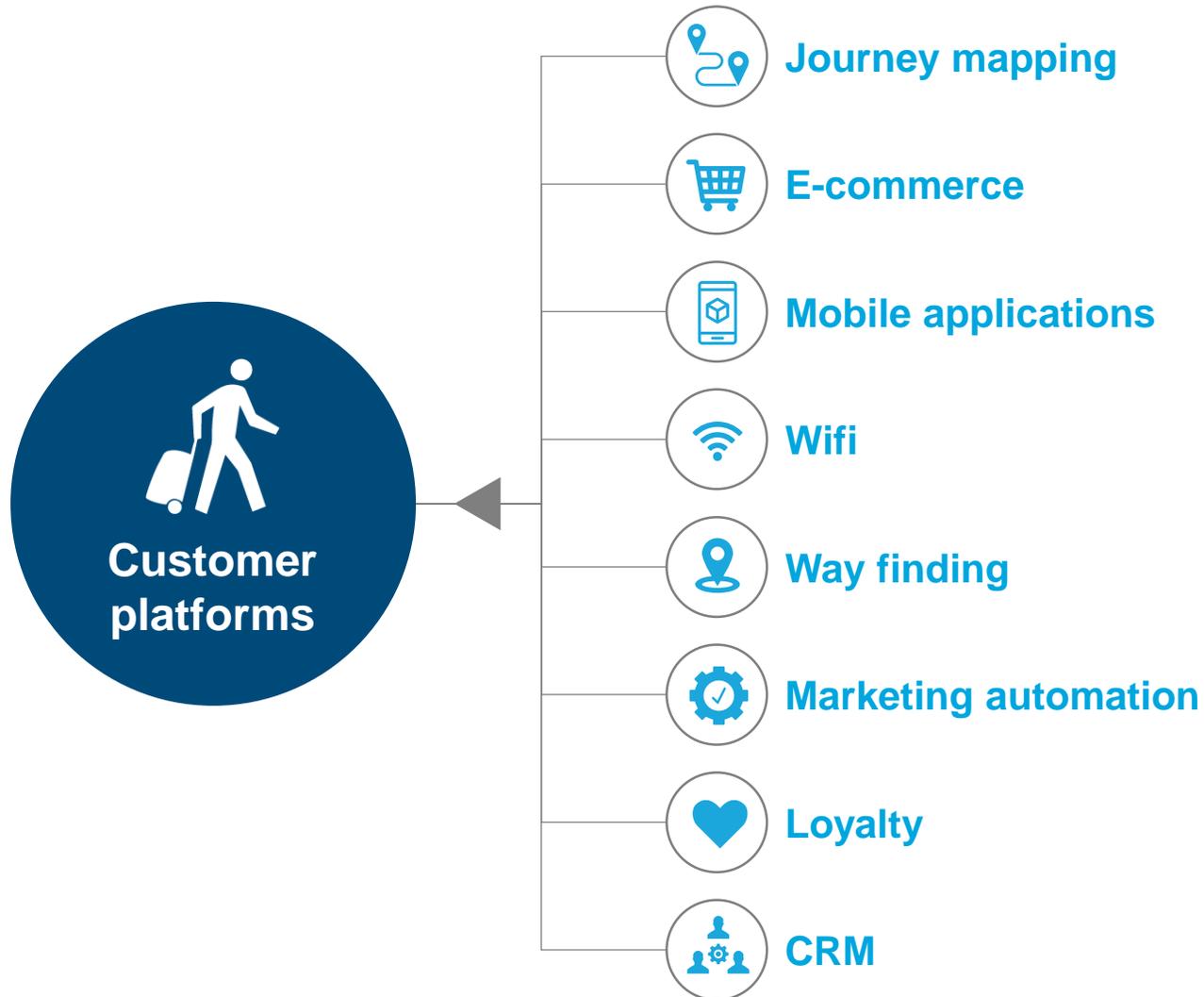


Full customer centric  
framework



230k feedback points per quarter

# Customer platform that will drive insights



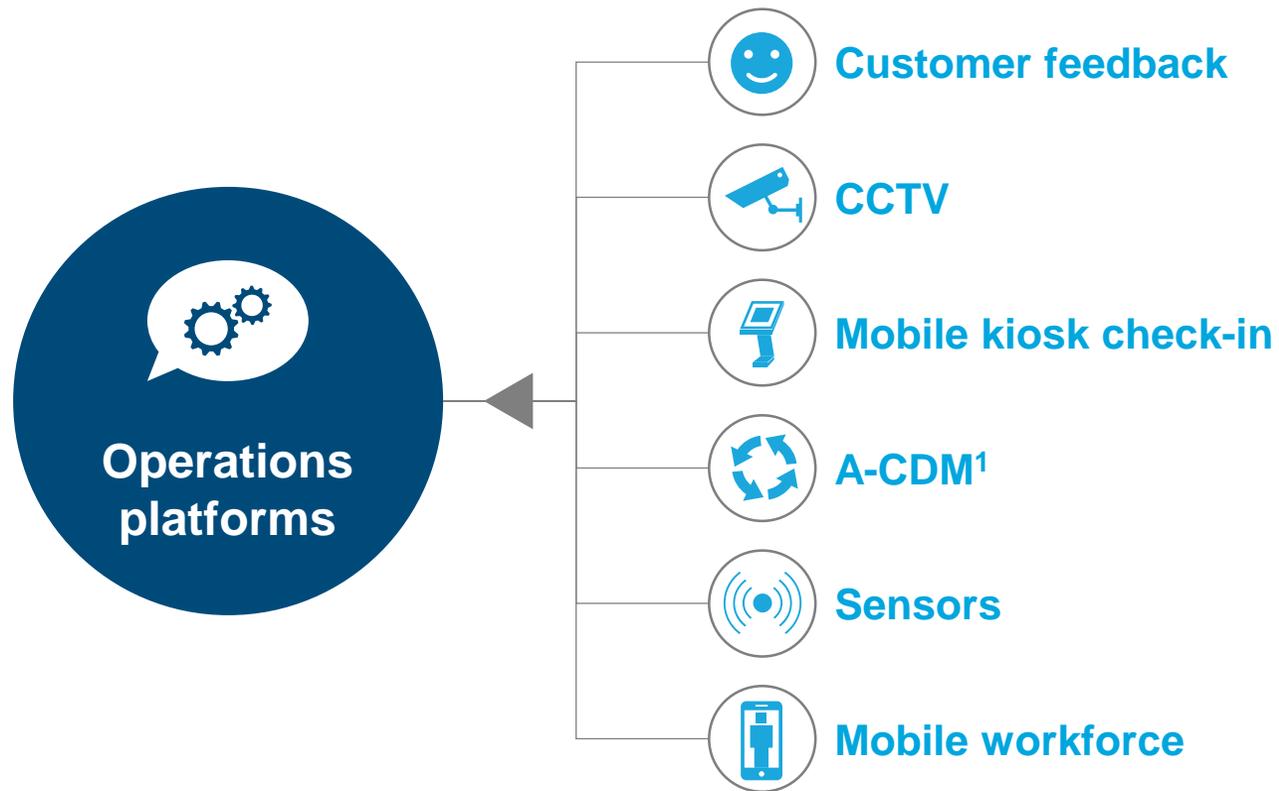
## Opportunities

- Real time customer feedback enabling enhanced passenger experience
- Personalised, timely and relevant messages based on real history and behaviour
- Extending customer engagement to before and after the travel journey
- Delivery of information, experiences and transactions at their convenience
- Improving the customer experience with predictive dynamic data that enables customer to make decisions
- Increasing self-serve options that increase convenience and lower cost-to-serve

## Outcomes

- Improved customer experience
- Higher yielding customers
- More engaged customers

# Operations platform that will drive efficiency



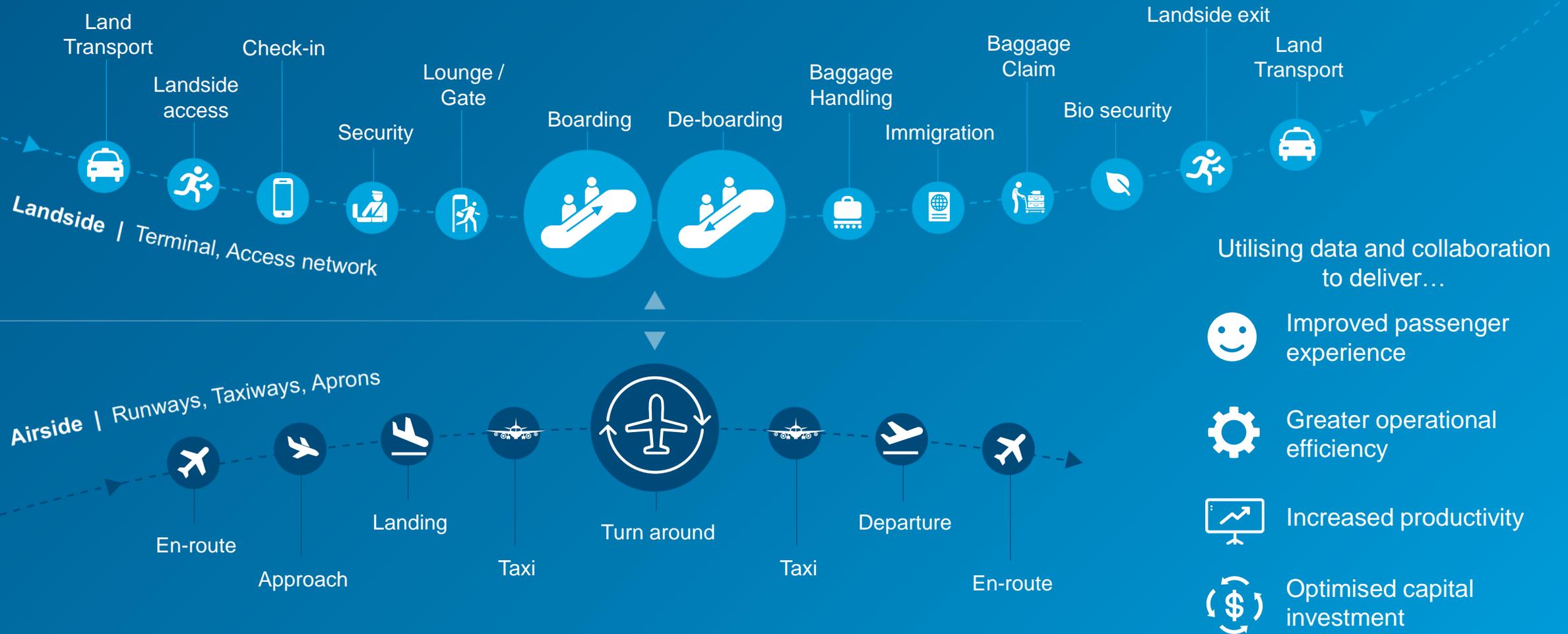
## Opportunities

- Real time operations data (CX, PAX, plane, ground transport) feeding real time decision making
- Detect and address issues before they arise, or before they escalate
- Streamline data and processes to optimise resources (labour and infrastructure)
- Common technology used across business (e.g. CCTV)
- Predictive maintenance
- Improved resiliency and recoverability

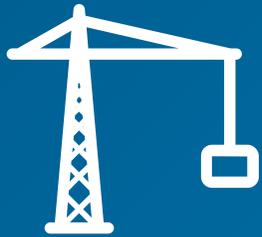
## Outcomes

- Lower cost to serve
- Savings for stakeholders involved
- Improved customer experience

# Achieving the vision of Total Airport Management to drive productivity and efficiency of the airport system



# Digital innovation summary



## ▶ Investing for future growth

- Setting up scalable pan-organisation technology platforms
- Utilising operational tools to optimise capital investment



## ▶ Be fast, efficient and effective

- Greater and more effective customer engagement – Strata, Omni, AI
- Developing the multi-channel customer journey
- Allows more efficient deployment of resources





# Investment property

Mark Thomson

# Auckland Airport's investment property

**\$1.3b**

Portfolio Value - up 82%  
since June 2013<sup>1</sup>

**341,189m<sup>2</sup>**

Net Lettable Area – up  
55% since 2013

**\$72.9m**

Rent Roll – up 65%  
since June 2013



<sup>1</sup>) Includes both Investment Property and all rent generating Plant, Property and Equipment

# Investment property highlights



## Accelerated development strategy has underpinned growth

- 21 new income producing developments completed since 2014
- Portfolio of outstanding quality, long leases and exceptional tenant covenant
- Significant development land reserves after aeronautical priorities are met (in a market starved of development land)



## Stabilised asset base is performing strongly

- Portfolio value \$1.3b – up from \$727m in June 2013
- WALT of 6.51 years
- 180 customers on rent roll
- Hotel portfolio performing ahead of expectations – average occupancy 91.2%

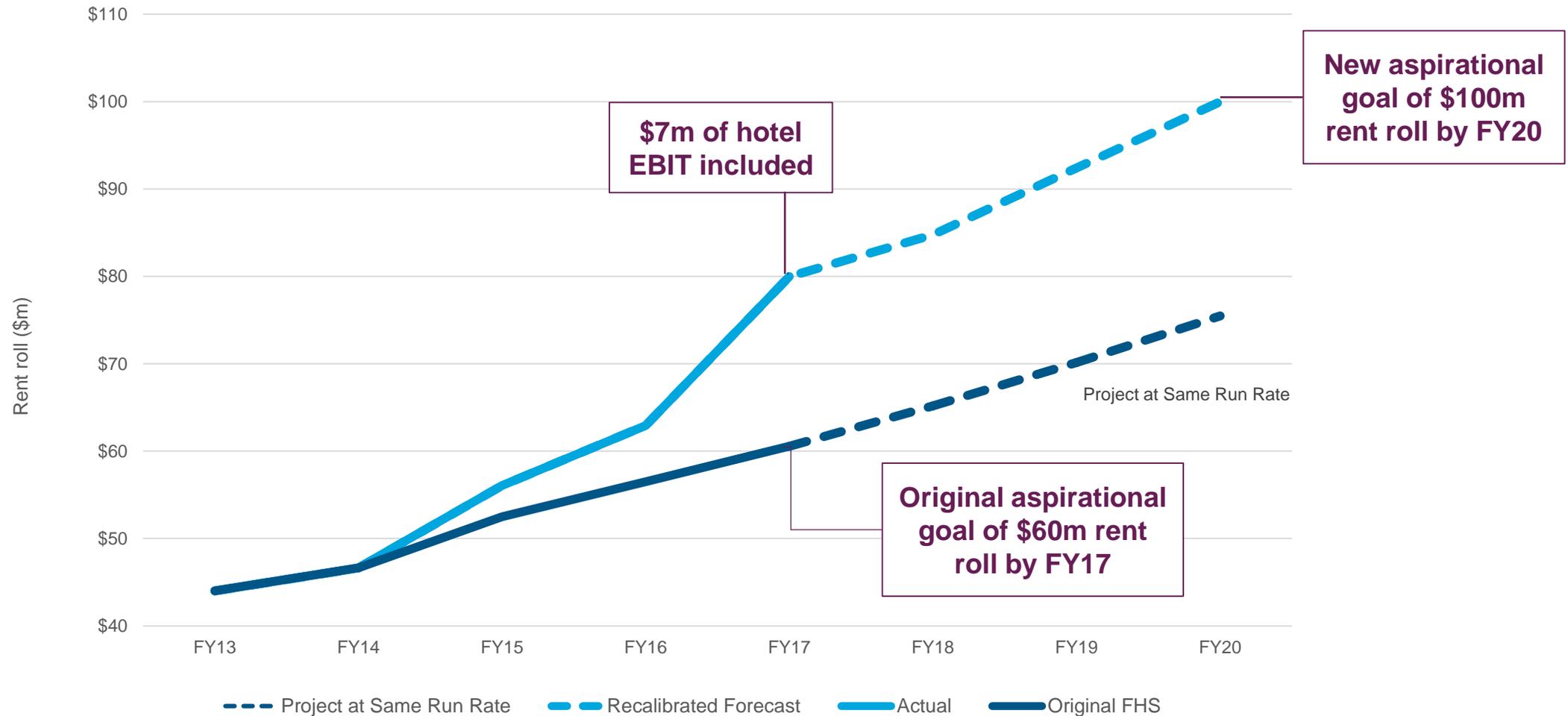


## Uniquely positioned for growth

- Record rentals achieved in new projects translating into stabilised portfolio
- Capacity to leverage infrastructure investments in airport core, and recycle assets
- Opportunity to transform cargo infrastructure and grow trade to and from New Zealand

# How did we perform against our Faster Higher Stronger aspirations?

## FHS vs Recalibrated Targets



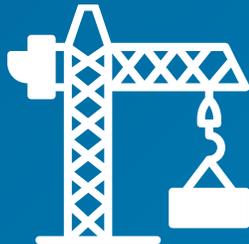
# Strategy for the future

# \$100m

Grow Rent Roll to \$100m by FY2020



Grow hotel capacity to 900 rooms by 2020



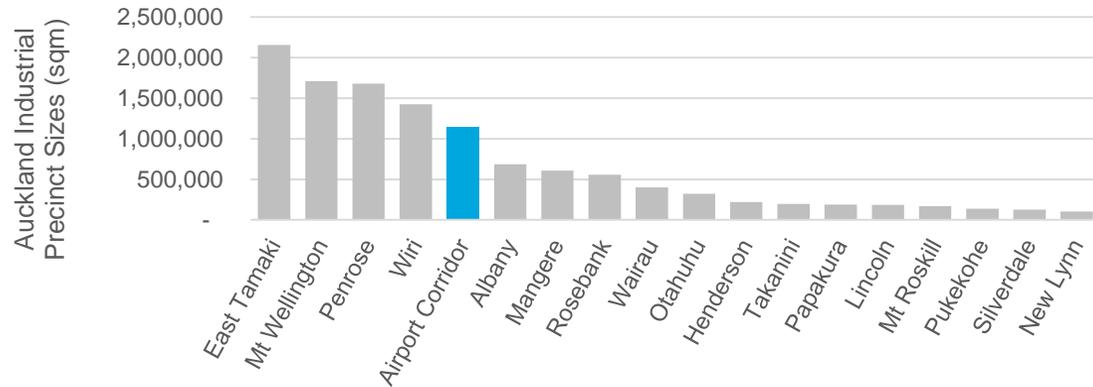
Position Auckland Airport as New Zealand's best business location



Transform our trade and cargo precinct and grow trade volumes to and from New Zealand

# Auckland industrial market

## Auckland Airport has one of the largest reserves of development-ready land in the Auckland region



## Grade A Auckland industrial vacancy



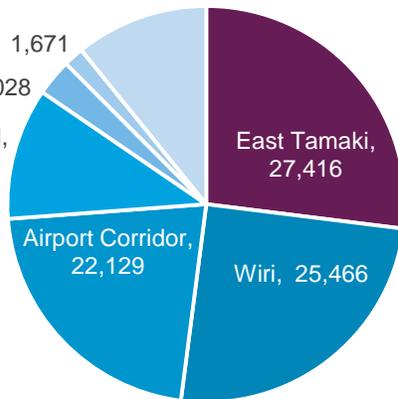
## Auckland Airport expects to add a further 40,000m<sup>2</sup> of new and tenanted industrial stock to the market between June 2017 and March 2018

Penrose/Mt Wellington, -10,992

South Auckland, 1,671

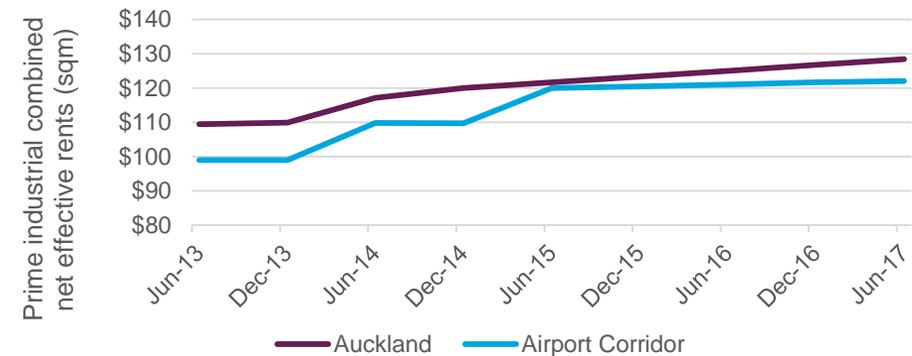
North Shore, 3,028

West Auckland, 10,917



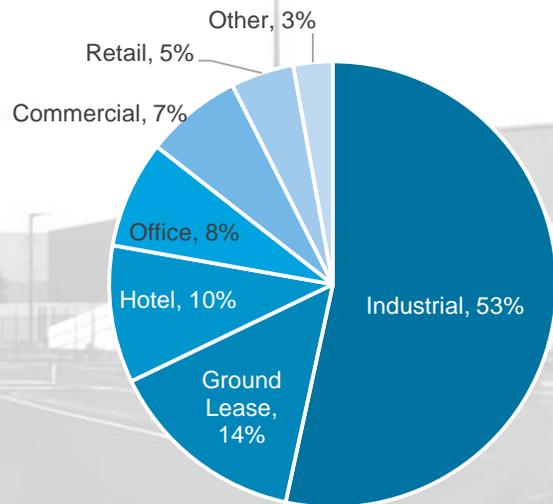
Change in sqm of Auckland industrial stock in the 6 months to June 2017

## The Airport Corridor's compound growth in prime industrial rents has been higher than the market average over the last five years



# Portfolio snapshot

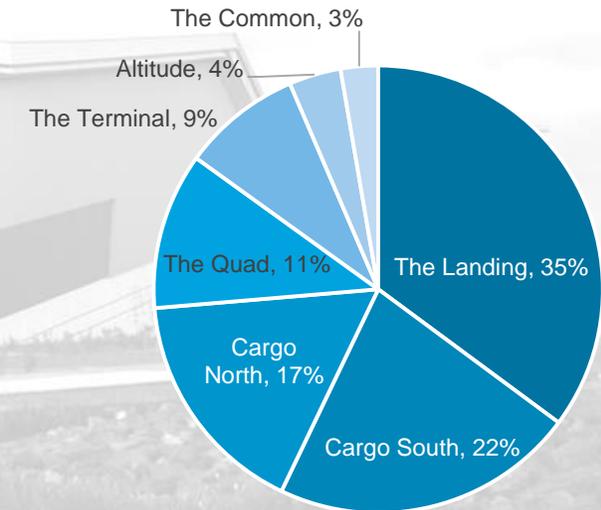
## FY17 Revenue by category



## Change in revenue by category

Category	Change vs FY15
Industrial	↑ 1%
Ground Lease	↓ 3%
Hotel	↑ 6%
Office	↑ 1%
Commercial	↓ 2%
Retail	↓ 3%
Other	— 0%

## FY17 Revenue by precinct



# Recent developments



The Landing  
BUSINESS PARK



# Projects underway



The Landing  
BUSINESS PARK



Ministry of Primary Industries



Ministry of Primary Industries

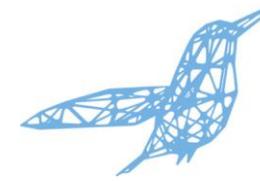


Bunnings Distribution Centre



Airways Corporation

# Investing in future development capacity



The Landing  
BUSINESS PARK



## Aligning development capacity with demand

- Civil works for Phase 3B at The Landing now complete, adding 14ha of developable land
- Immediate capacity to accommodate ~100,000sqm of new projects

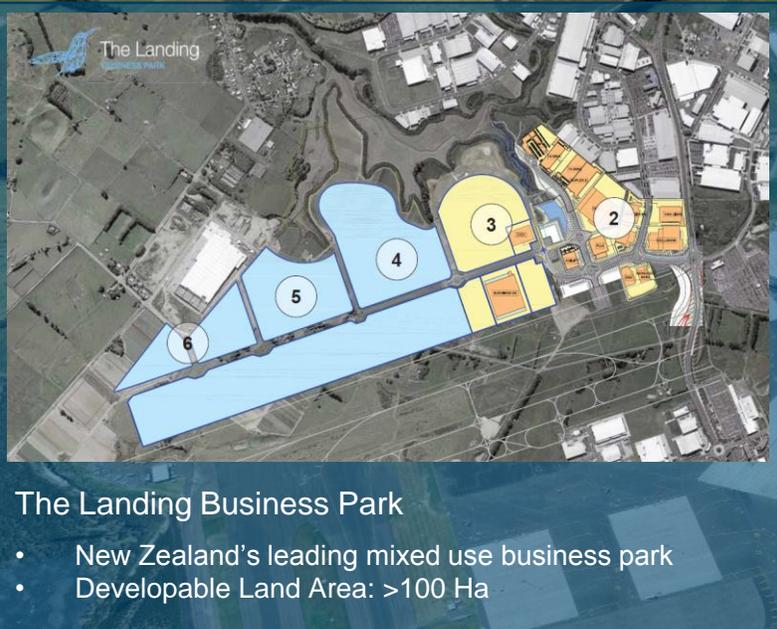
# How do we compare?

Company	Portfolio Value (\$)	WALT	Occupancy
Kiwi Property	2,969,000,000	5.6	98.80%
Goodman	2,400,000,000	5.8	98.00%
Precinct Properties	2,040,000,000	8.7	100.00%
Augusta Capital	1,700,000,000	5.3	98.00%
Argosy	1,440,000,000	5.59	98.60%
<b>Auckland Airport</b>	<b>1,321,000,000</b>	<b>6.51</b>	<b>96.90%</b>
Property for Industry	1,096,000,000	4.75	99.50%
Vital Healthcare Property Ltd	1,068,383,000	17.6	99.00%
Stride Property	895,300,000	4.9	96.8%
NPT Limited	174,350,000	4.6	95.99%



# Transitioning to an integrated airport community





**The Landing Business Park**

- New Zealand's leading mixed use business park
- Developable Land Area: >100 Ha



**The Quad Office Campus**

- Airport Town Centre
- Retail and Recreational Facilities
- Highest Standard of Design and Excellence
- Premier Office Accommodation: Quad 5 and 7

Altitude Drive

Bypass

Terminal Roads

Auckland Airport 2020



Conceptual Only

### Gateway Bridge

A new bridge for pedestrians and cyclists over George Bolt Memorial Drive. This will better connect our airport terminals with amenities for passengers and tenants (hotels, shops etc)



### Central Connector

The Central Connector is a walking cycling route that connects our airport terminals with amenities for passengers and tenants

The Landing  
BUSINESS PARK

The Quad  
OFFICE CAMPUS



### Public Spaces

Parks, walking and running trails, mountain biking tracks, and sports fields provide amenity to both staff and our visitors.

The Landing  
BUSINESS PARK

Ibis Hotel

The Quad  
OFFICE CAMPUS

Future Hotel Sites

Novotel Hotel



Conceptual Only

### New 5-Star Pullman Hotel

Together with Tainui Group Holdings we are developing a new 5-star, Pullman hotel. This new 300-room hotel will be operated by Accor Hotels and located close to our international terminal.

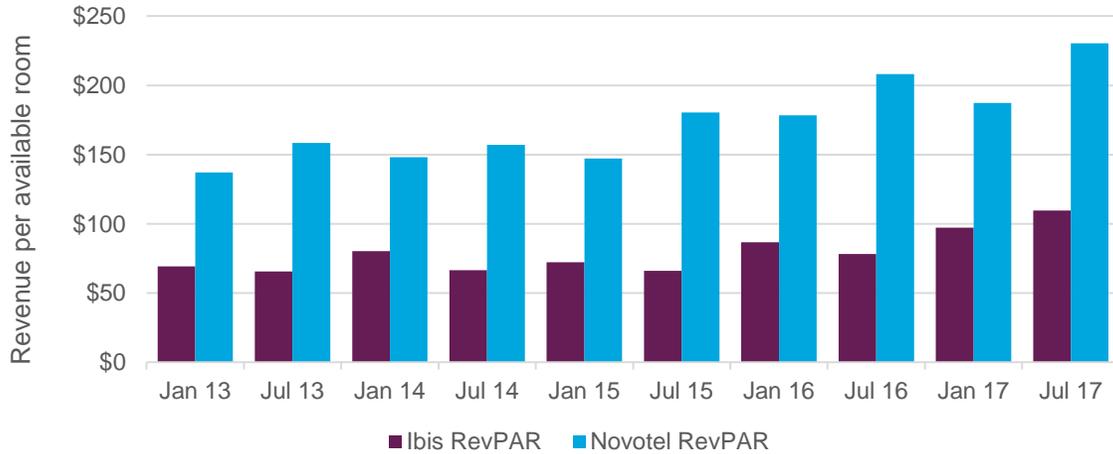
Auckland Airport 2020

Cargo Central

- Long Term Asset Management Planning
- Optimising Land Use
  - Facilitating Cargo/Trade
  - Land Transport Infrastructure

# Hotel market

## Auckland Airport hotel portfolio

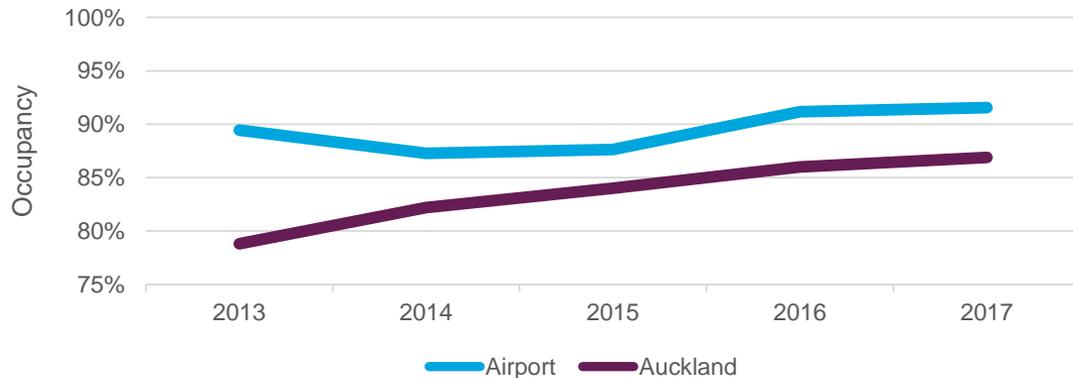


## AIA's Novotel compared to the Auckland 5-star hotel market



## Hotel occupancy:

### Auckland Airport hotel portfolio compared to Auckland market



- Coherent suite of hotel products
- Significant passenger growth since 2013
- Auckland Airport hotel portfolio shows stronger occupancy than Auckland market
- Increase in portfolio revenue per available room (RevPAR) by 56.3% since 2013
- Auckland Airport's Novotel Hotel had a 12% higher RevPAR than the Auckland average for 5-star hotels as of year end Jan 2017



# Hotel 3

## Pullman Hotel



 300 Rooms

 In 50/50 partnership with  
Tainui Group Holdings

 Expected construction  
start date Q4 2018

 Expected opening 2020

 Rooftop restaurant and  
bar



# Trade



**Auckland Airport is New Zealand's third largest Cargo Port (by value), handling >200,000 tonnes of cargo annually<sup>1</sup>**



**Transformational project underway to position Auckland Airport as a world class gateway for the movement of goods to, from and through New Zealand**

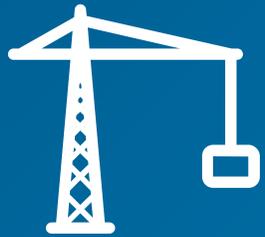


**Emphasis on growing trade for the benefit of New Zealand and our stakeholders**

- Future cargo precinct
- Fast, efficient, sustainable supply chains
- Improving landside and airside access
- Aligning incentives



# Investment property summary



## Investing for the future

- Position Auckland Airport as New Zealand's best business location
- Accelerate development momentum
- Increase hotel capacity
- Transform cargo activities and grow trade volumes to, from, and through Auckland Airport





# Financial management & regulation

Philip Neutze

# Key investment highlights

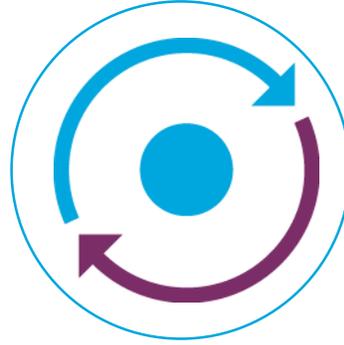
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**High quality  
asset with  
strong long  
term growth**



**New Zealand's  
gateway**



**Maturing regulatory  
environment**



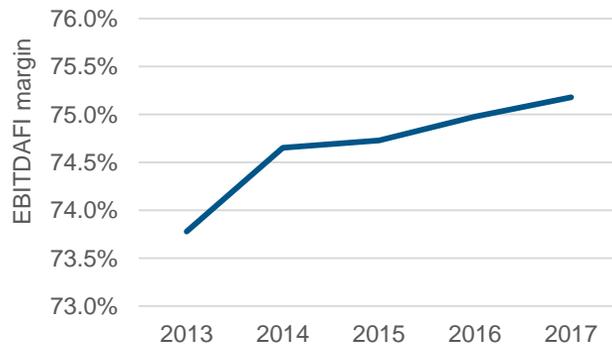
**Exposure to growth  
markets**



**Track record of  
delivery**

# A unique business model

## Steady margin business



## Targeting operating leverage

~35%

variable costs

## Broad business mix



## Even balance between regulated and non-regulated activities

~50%

## Considerable financial strength

A- rating

## Own our assets

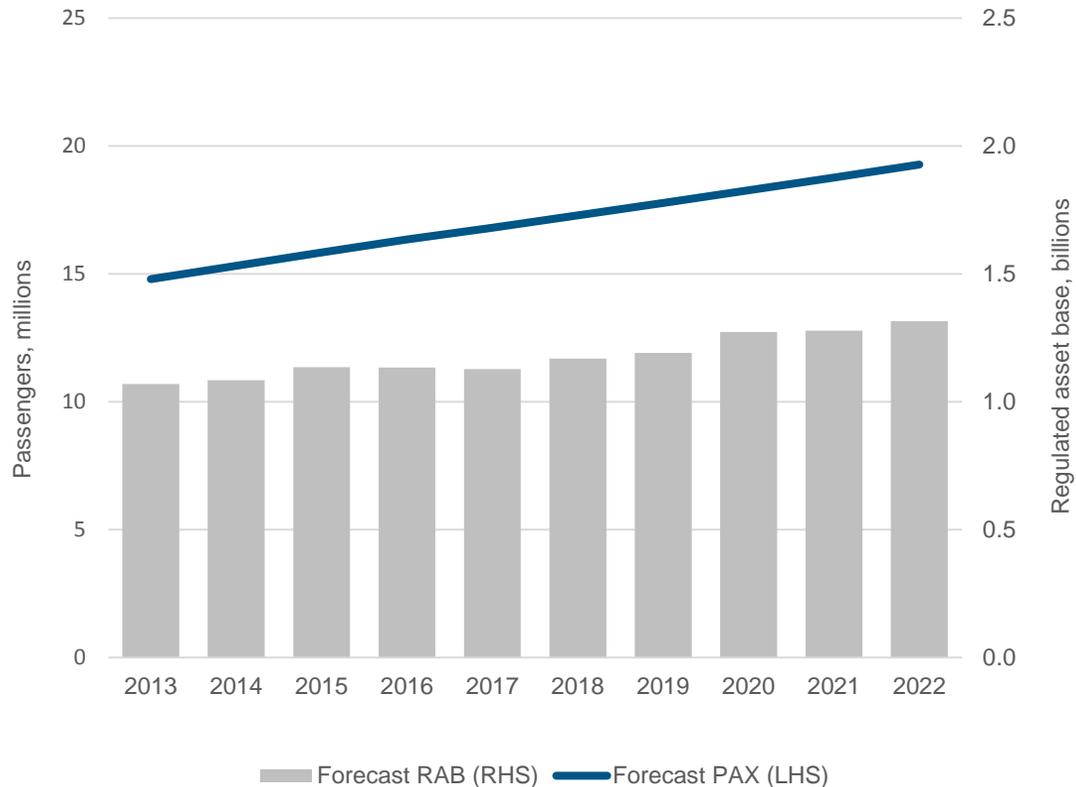
\$6.5b assets



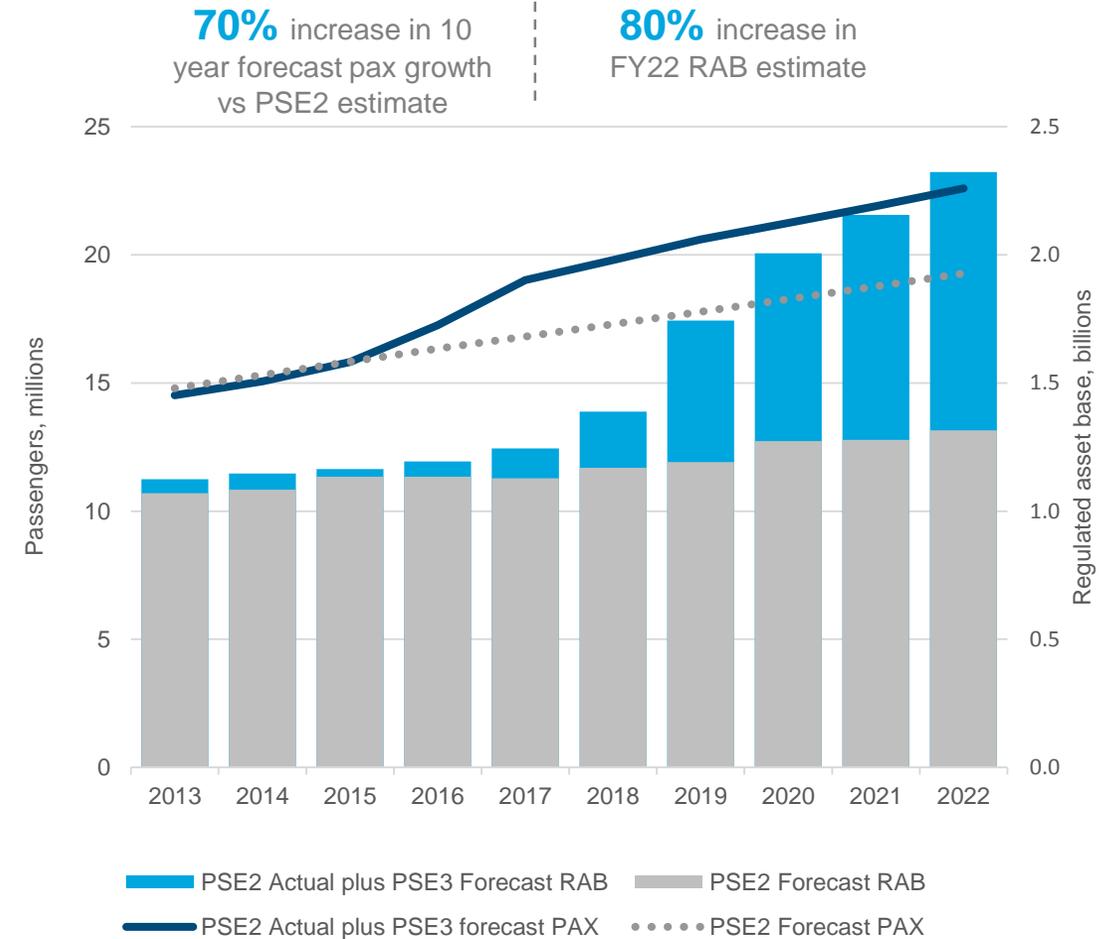
1,500 hectares of freehold land

# What has changed?

## In 2012 the next decade looked like this...



## Five years on, it now looks like this...



# Pricing completed, now focusing on delivery

## Comprehensive consultation delivered reasonable aeronautical prices for PSE3 (FY18-22)

- ▶ Aeronautical prices in place for the five year period to 30 June 2022
- ▶ Average annual change in real revenue per PAX
  - ▶  International **1.7%**
  - ▶  Domestic **0.8%**
- ▶ Introduction of a runway land charge, and new domestic regional and passenger charges
- ▶ Forecast total aeronautical segment after tax returns of 7.06% p.a. on a growing aeronautical asset base (6.99% priced)
- ▶ \$1.9b capital expenditure in 2017 dollars on aeronautical infrastructure over the next five years
- ▶ Commerce Commission section 53B review underway

## Now focused on delivery



Customer satisfaction



Service levels



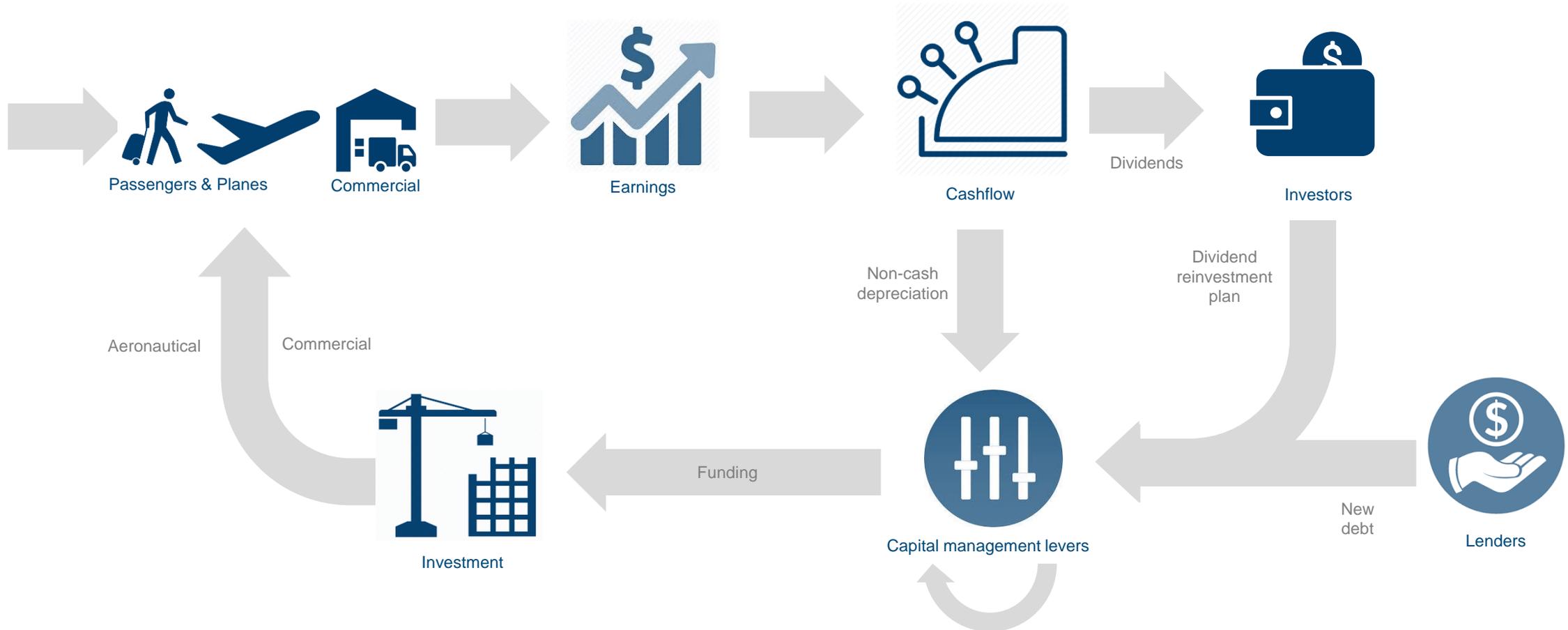
Capital investment



Operational expenditure

# How we fund the capital plan

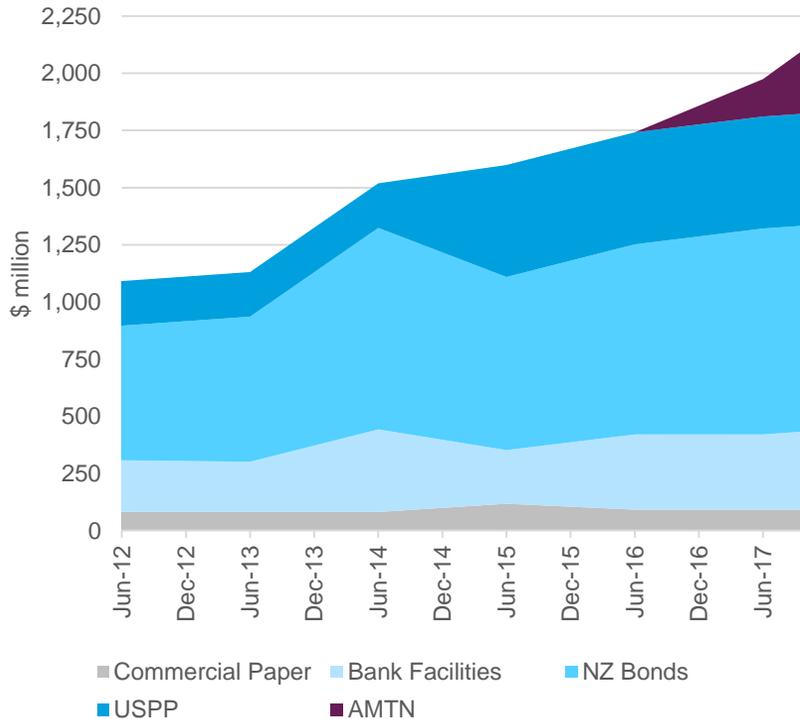
Efficiently fund infrastructure while delivering fair returns for shareholders



# Our borrowing programme

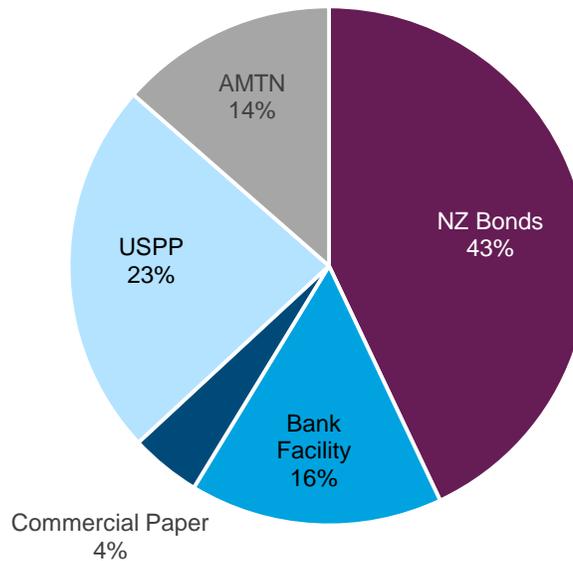
## Funding diversified across three core markets

Auckland Airport debt composition



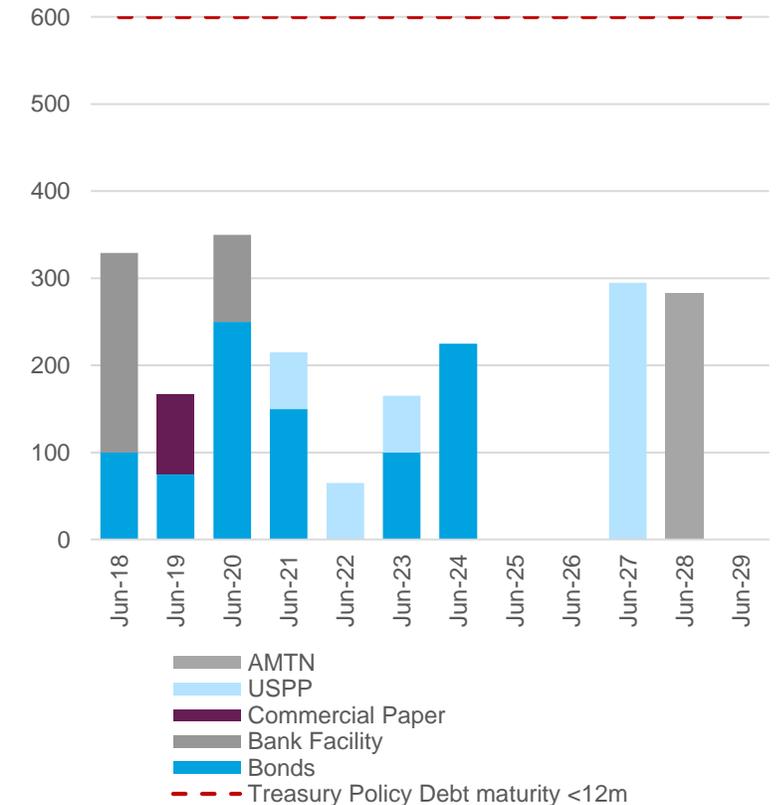
## Core funding from shorter dated bank borrowings, medium term NZDCM issuance and long-term offshore issues

Debt composition



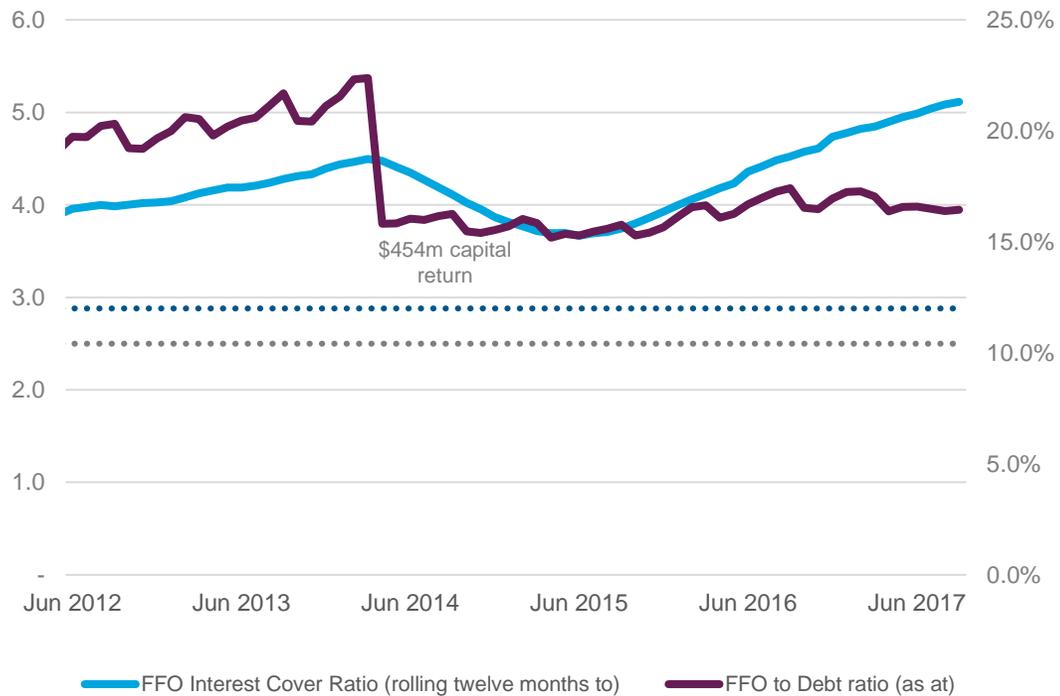
## Well diversified maturity profile creates considerable flexibility for the term of debt issues

Debt maturity profile



# Committed to maintaining our A- credit rating

## Headroom in key credit metrics



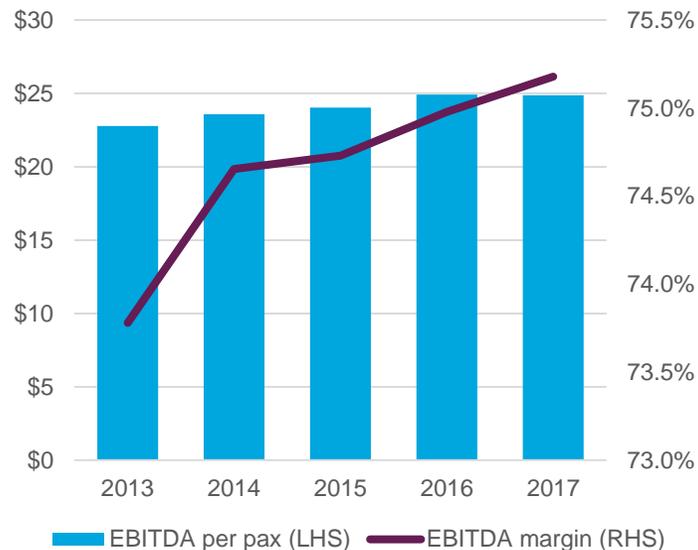
## Capital investment will soften credit metrics

Increasing capital investment will lessen credit metric headroom

Utilise capital management levers where required

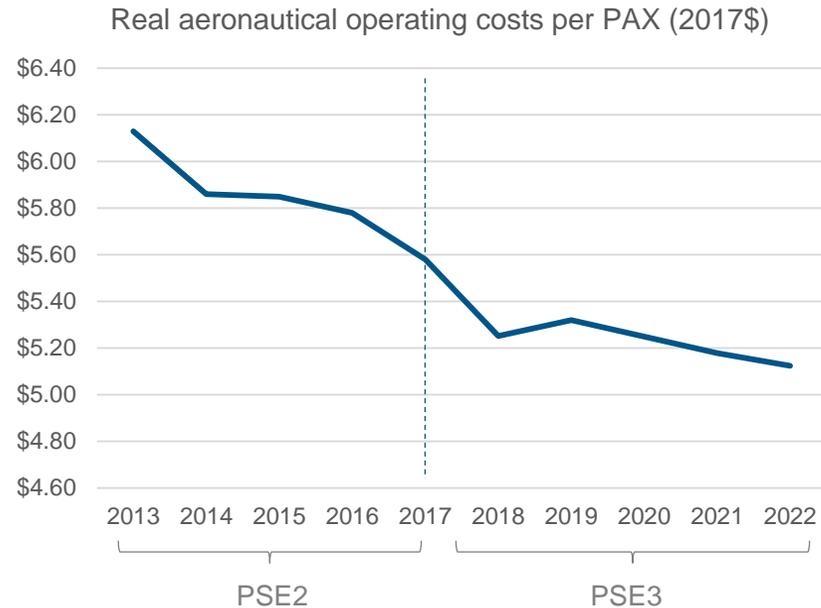
# Committed to operating efficiently and effectively

## Successfully increased operating efficiency



Substantial PAX growth combined with disciplined operating and capital expenditure has increased operating efficiency

## Focus on efficiency will deliver better outcomes

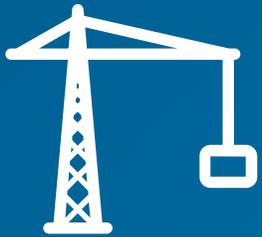


A disciplined focus on efficiency is required to deliver benefits for our customers and shareholders

## Our philosophy is to:

- 1 Provide quality services
- 2 maximise utility of existing assets
- 3 pursue innovation for increased productivity
- 4 Optimise opex / capex tradeoff

# Financial management summary



## Investing for the future

- Capital management strategy delivering infrastructure funding flexibility and efficiency



## Innovation driving improved customer experience and efficiency

- Managing growth with a disciplined focus on efficiency and operating leverage





# Wrap up

Adrian Littlewood

# Summary





# Q&A

# Important notice

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