

Sustaining Success

Interim Results 2013 | Auckland International Airport



A vertical strip on the left side of the page shows a blurred, high-angle view of people walking through an airport terminal, carrying luggage.

Adrian Littlewood

Chief Executive

Simon Robertson

Chief Financial Officer

This interim results presentation dated 21 February 2013 provides additional comment on the financial materials released before the market opened on the same date. As such, it should be read in conjunction with, and subject to, the explanations and views provided in that release.

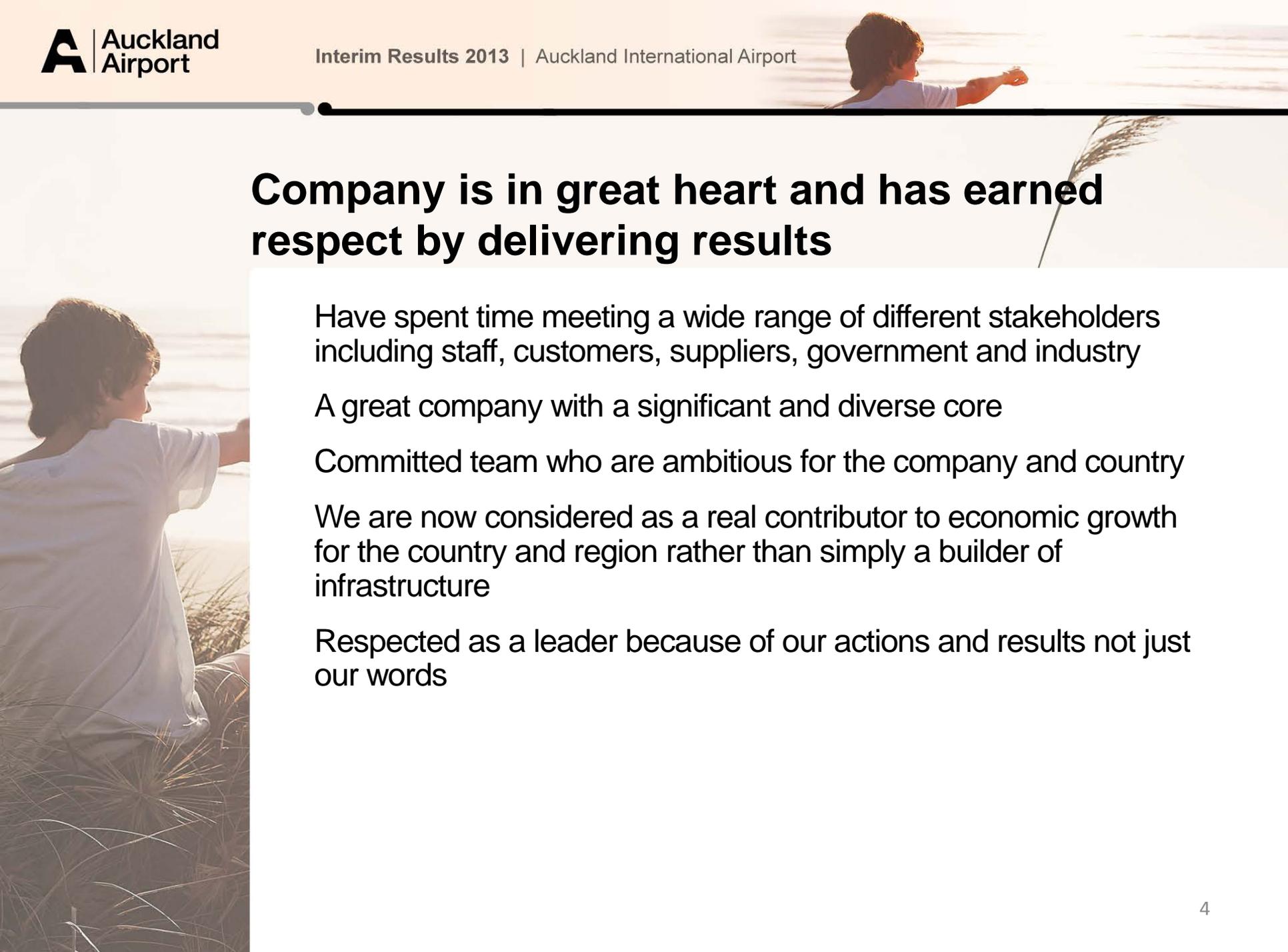
Growth momentum has been maintained

A privilege to lead a great New Zealand company that plays a critical role in New Zealand's economic future

A solid result for the six months to December 2012 as we continue a run of three consecutive years of profit growth

Business has maintained growth momentum during a time of leadership transition

	6 months to 31 Dec 2012 (\$m)	6 months to 31 Dec 2011 (\$m)	% change
Revenue	223.552	215.867	3.6
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	166.361	161.361	3.1
Underlying profit	76.090	70.791	7.5
Interim dividend (cps)	5.75	4.40	30.7



Company is in great heart and has earned respect by delivering results

Have spent time meeting a wide range of different stakeholders including staff, customers, suppliers, government and industry

A great company with a significant and diverse core

Committed team who are ambitious for the company and country

We are now considered as a real contributor to economic growth for the country and region rather than simply a builder of infrastructure

Respected as a leader because of our actions and results not just our words



Continue to look up and ahead for future growth opportunities

Ambitious strategy for last four years targeting accelerated travel, trade and tourism growth

The strategy has delivered but it still remains relevant today – the fundamentals are the same

Continue to refine our existing approach and look for new ways to drive growth – it's about evolution not revolution

Focus is on:

- Unlock growth potential of NZ tourism market
- Master-planning and terminal development – ensure NZ's future economic growth is not constrained
- Continue non-aeronautical growth trajectory
- Drive asset productivity and yield through deeper understanding of our business and customers

2013 interim results in detail

Simon Robertson

Chief Financial Officer





A solid first half outcome

Auckland Airport delivered solid first half financial results, despite the challenge of the prior corresponding period being boosted by Rugby World Cup activity

Revenue increase to \$223.6m, up 3.6% driven by yield growth

Car park key driver of growth in non-aeronautical revenue

EBITDAFI increase to \$166.4m, up 3.1%, largely consistent with revenue growth

Underlying profit increase to \$76.1m, up 7.5% supported by lower interest costs and higher associate contribution



Summary half year financial results

	6 months to 31 Dec 2012 (\$m)	6 months to 31 Dec 2011 (\$m)	% change
Revenue	223.552	215.867	3.6
Expenses	57.191	54.506	4.9
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	166.361	161.361	3.1
Share of profit of associates	4.368	2.713	61.0
Derivative fair value increase/(decrease)	1.128	(2.063)	(154.7)
Depreciation expense	31.430	31.751	(1.0)
Interest expense	33.705	35.012	(3.7)
Taxation expense	29.812	26.145	14.0
Reported net profit after tax	76.910	69.103	11.3
Underlying profit	76.090	70.791	7.5



Underlying profit growth

	6 months to 31 Dec 2012 (\$m)			6 months to 31 Dec 2011 (\$m)		
	Reported earnings	Adjustments	Underlying earnings	Reported earnings	Adjustments	Underlying earnings
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	166.361	-	166.361	161.361	-	161.361
Share of profit of associates	4.368	(0.012)	4.356	2.713	0.281	2.994
Derivative fair value increases	1.128	(1.128)	-	(2.063)	2.063	-
Depreciation	(31.430)	-	(31.430)	(31.751)	-	(31.751)
Interest expense and other finance costs	(33.705)	-	(33.705)	(35.012)	-	(35.012)
Other taxation expense	(29.812)	0.319	(29.493)	(26.145)	(0.656)	(26.801)
Reported net profit after tax	76.910	(0.821)	76.090	69.103	1.688	70.791

Solid revenue growth against a strong comparable period

	6 months to 31 Dec 2012 (\$m)			6 months to 31 Dec 2011 (\$m)			% change
	Aeronautical revenue	Non-aeronautical revenue	Total revenue	Aeronautical revenue	Non-aeronautical revenue	Total revenue	
Airfield income	40.836	-	40.836	39.476	-	39.476	3.4
Passenger service charge (PSC)	59.950	-	59.950	42.050	0.001	42.051	42.6
Terminal services charge (TSC)	-	-	-	14.353	-	14.353	(100.0)
Retail income	-	62.371	62.371	-	61.839	61.839	0.9
Rental income	6.850	20.163	27.013	9.144	17.502	26.646	1.4
Rates recoveries	0.008	1.895	1.903	0.289	1.947	2.236	(14.9)
Car park income	-	20.450	20.450	-	18.635	18.635	9.7
Other revenue	3.179	7.850	11.029	3.568	7.063	10.631	3.7
Total segment revenue	110.823	112.729	223.552	108.880	106.987	215.867	3.6

In the six months to December 2012, the change in pricing aeronautical structure resulted in an increase in PSC (International 2-11 year old exemption partially removed, introduction of Domestic and Transit PSC) and a complete removal of TSC. Aeronautical rental income decreased as the lease revenue in domestic terminal processing areas is now included in the Domestic PSC.

Aeronautical revenue reported a 1.8% increase in line with total passenger growth (2.2%).

Expenses reflect our investment in growth

	6 months to 31 Dec 2012 (\$m)	6 months to 31 Dec 2011 (\$m)	% change
Staff	18.174	17.123	6.1
Asset management, maintenance and airport operations	19.276	18.796	2.6
Rates and insurance	4.766	4.478	6.4
Marketing and promotions	6.977	6.357	9.8
Other	7.998	7.752	3.2
Total operating expenses	57.191	54.506	4.9
Depreciation expense	31.430	31.751	(1.0)
Interest expense	33.705	35.012	(3.7)
Taxation expense	29.812	26.145	14.0



North Queensland Airports – Growing profitability

New services to Cairns and Mackay point to continued business growth in NQA:

- Cairns International – China Eastern 2 x weekly service to Shanghai
- Cairns Domestic – Tiger Airways 4 x weekly service to Sydney from April, increasing to daily service from June
- Mackay Domestic – Tiger Airways new direct services to Melbourne and Sydney started in December

Operating leverage highly evident in financial outcomes.

On track to deliver acquisition EBITDA target for FY2013 of AU\$75m.

	6 months to 31 Dec 2012	6 months to 31 Dec 2011	% change
Passenger performance			
Cairns international	391,417	423,735	(7.6)
Cairns domestic	1,894,828	1,730,677	9.5
Mackay domestic	570,821	570,231	0.1
NQA financial performance			
	AU\$ '000	AU\$ '000	% change
Total revenue	60,807	56,818	7.0
EBIDTAFI	38,961	37,158	4.9
Net profit after tax	9,422	5,843	61.3
Dividends received by Auckland Airport	5,400	5,891	(8.3)



Great Barrier Reef



Queenstown – Outstanding lift in passenger volumes

Additional services and capacity on domestic and international routes drive outstanding passenger volume growth.

On acquisition, we forecast the strategic alliance would lift total passengers at Queenstown to 1.249m by 2015. We expect this milestone will be achieved two years early.

Strategic alliance boosts the company performance and stimulates economic activity in Queenstown.

	6 months to 31 Dec 2012	6 months to 31 Dec 2011	% change
Passenger performance			
Domestic passengers	488,225	399,070	22.3
International passengers	139,106	119,055	16.8
Total passengers	627,331	518,125	21.1
Queenstown financial performance	NZ\$ '000	NZ\$ '000	% change
Total revenue	9,514	8,499	11.9
EBIDTAFI	6,930	6,174	12.3
Net profit after tax	3,106	2,782	11.7
Dividends received by AIAL	646	822	(21.3)





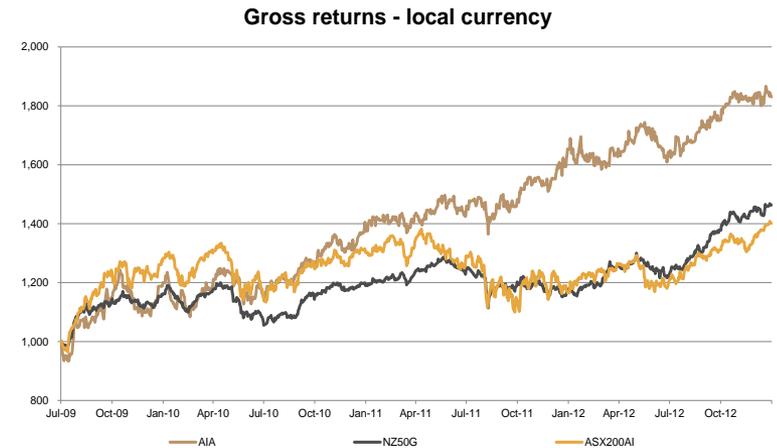
A greater return for shareholders

Interim Dividend announced of 5.75cps, an increase of 30.7% on the prior year interim dividend.

Interim dividend payable on 2 April 2013 to shareholders on the register on 15 March 2013.

Dividend increase driven by ambition to reward shareholders as soon as possible, resulting from:

- Lift in profitability
- Lift in previously announced dividend pay out ratio
- Spreading dividend payments more evenly during the year between interim and final dividend payments



	Share Price Opening (\$)	Share Price Closing (\$)	Dividend (cps)	Total return (cps)	Total shareholder return %
1 July 2009 to 30 June 2010	1.610	1.870	8.20	34.20	21.2%
1 July 2010 to 30 June 2011	1.870	2.230	8.70	44.70	23.9%
1 July 2011 to 30 June 2012	2.230	2.440	10.50	31.50	14.1%
1 July 2012 to 20 February 2013	2.440	2.705	5.75	32.25	13.2%

Adrian Littlewood
Chief Executive





Auckland passenger volumes hold up compared with RWC period

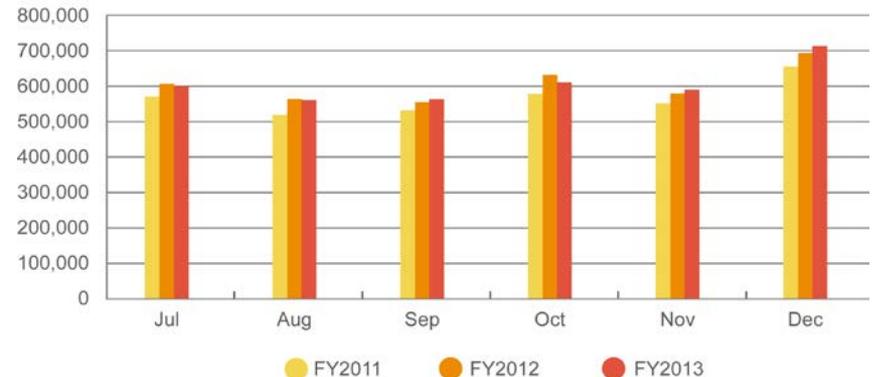
	6 months to 31 Dec 2012	6 months to 31 Dec 2011	% change
International passengers	3,654,318	3,648,784	0.2
Transits	237,838	314,922	(24.5)
Total international passengers	3,892,156	3,963,706	(1.8)
Domestic passengers	3,355,718	3,129,650	7.2
Total passengers	7,247,874	7,093,356	2.2

International passengers declined in the months lapping the Rugby World Cup period in prior year, but have recovered with solid growth of 1.9% in November, 2.7% in December and 1.7% in the calendar year to 17 February 2013.

Transit passengers declined in the six months to December 2012 due to the exit of Qantas on the LA route from Sydney, and Aerolineas Argentinas on the Buenos Aires route.

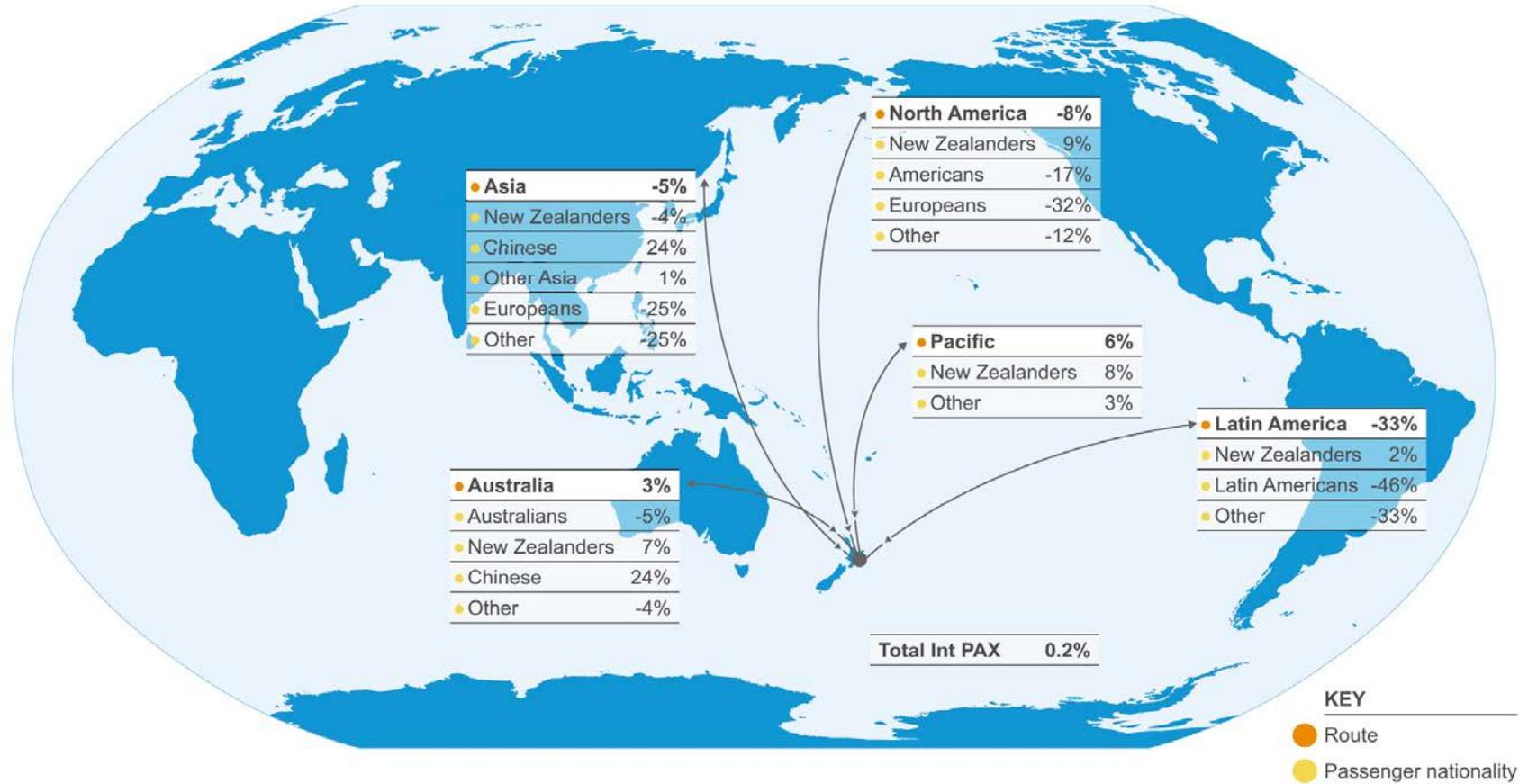
Domestic passenger growth was strong at 7.2% due to increased capacity and frequency put on by Air New Zealand and Jetstar.

International passengers (excl transits) – 3 year trend by month





Route dynamics are causing airlines to adapt





Innovative route development approach still delivering

New services for Auckland:

- China Airlines: new service Taipei – Sydney – Auckland
- Air New Zealand: seasonal services to Bali and Sunshine Coast
- Hawaiian Airlines: new service Auckland to Hawaii from March
- Jetstar and Air New Zealand have both added frequency and capacity on their domestic routes

We maintain focus on Asian growth markets such as China and Indonesia:

- Hosted the China Southern ‘mega-famil’ for 250 travel agents
- Farah Quinn campaign and visit to New Zealand
- Luxury NZ website launched – for China and Indonesia

Efforts are paying dividends in the China market – NZ named World's Best Luxury Destination and Auckland Airport crowned the World's Best Airport in the 2013 Chinese Luxury Travel Awards.

Broadening marketing toolbox to support launch of new airlines and routes including the launch of Trip Guide television campaign and website.

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Domestic terminal refurbishment on-track

Works are underway to increase the capacity of the domestic terminal in a staged redevelopment:

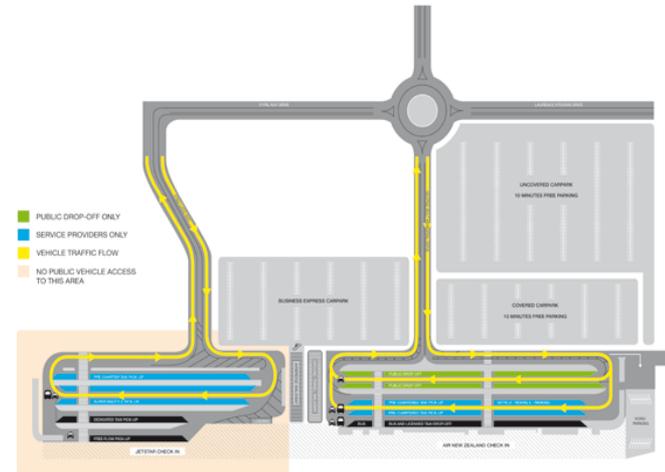
- Forecourt (Jan – March 2013)
- Terminal (June 2013 – June 2014)

Total cost of the refurbishment is estimated at approximately \$29m.

Refurbishment will allow all gates to accommodate A320 aircraft and will cater for expected domestic passenger and aircraft demand of both carriers in this terminal until 2015/16.

Capacity will be further relieved by Stage 1 of the new facility, providing a long-term pathway for domestic capacity.

We continue working with major stakeholders and are on track to agree location and commence design of the new facility this calendar year.





Retail holds up well to the strong comparative period

Retail revenue saw softer growth in six months to December 2012 compared to the prior period (0.9% to \$62.4m) due to a strong retail performance during RWC 2011

Retail PSR growth rates performed strongly in July to September 2012, but fell slightly in the second half of the period following changes to Australian tobacco allowances

While the Advertising segment was softer in the period, Specialty, Destination and Food and Beverage retailers saw an improvement in trading in the six months to December 2012 over prior period

Retailers and brand continue to see value in the travel retail environment

International PSR – monthly growth rates





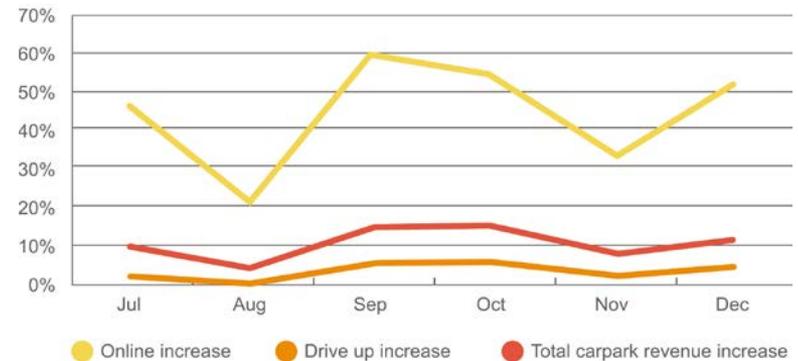
Delivering car park product and price choice brings reward

Car park continues strong yield growth with revenue up 9.7% to \$20.5m.

Key results include:

- ARPS (Average Revenue Per car park Space), grew 13.9% on prior period
- Online car park revenue dominates channel growth – up 43.6% in the six months to December, making up 22.7% of total car park revenue in the six months (up from 17.4%)
- Car park inventory increased to 8,700 spaces, up 200 during the last six months
- Continuous improvements to customer experience

Monthly carpark revenue increase by revenue source





Property gains in a tough market

Rental income attributable to investment property grew to \$19.9m in H1 2013, an increase of 14.4% compared to \$17.4m in prior period.

New developments include:

- ITW commercial warehouse nearly complete
- FLEX multi-unit warehouse facility just completed and 2 units already let
- Agreement in place for part of Level 4, Quad 5 (4 Leonard Isitt Drive)
- Spec standalone 3,000m² warehouse let
- Investment in the landing to create 9.5 hectares land inventory is underway.





Regulation update

The regulatory environment for airports in New Zealand has produced quality airports with below average charges.

Auckland Airport has to consider regulatory risk as we contemplate a significant step towards growing domestic capacity.

The Commerce Commission currently has an obligation to review the effectiveness of the new information disclosure regime. Auckland Airport will continue to be fully engaged in the Commerce Commission's review.



FY2013 – Modest lift in expectations

Performance to date has been slightly ahead of our expectations, particularly domestic passenger growth.

While challenges to aviation demand remain, we now have a modestly higher expectation of FY2013 financial outcomes.

We expect capital expenditure for the full year to be between \$90m and \$100m.

We uplift our guidance for FY2013 Net Profit After Tax (excluding any fair value changes and other one-off items) to be between \$145m and \$153m.



Questions ?

