

Faster Higher Stronger 2013

A | Auckland
Airport

Return of Capital

Auckland International Airport Limited



Executive summary

- Strong business performance over recent years has changed the Company's debt and equity balance to having a greater proportion funded by equity
- Auckland Airport is focussed on being fast, efficient and effective – need to effectively manage operating expenditure, capital expenditure and the equity to debt ratio
- A capital return to shareholders is proposed by way of a 1:10 share cancellation and a payment of \$3.43 for each share cancelled equating to a total return of \$454m
- The strength of the Company following the capital return means we can continue to invest in our long-term growth prospects
- Our current Standard & Poor's credit rating of "A-" is targeted with a stable outlook (from positive outlook)
- Auckland Airport does not envisage paying an interim dividend and carrying out a capital return at the same time. The capital return is to be funded predominately by new debt
- Final timing of the capital return is expected to be mid-April 2014

Strong performance – Strengthening business



	June 2009	June 2010	June 2011	June 2012	June 2013
Market Capitalisation (\$m)	\$1,972	\$2,450	\$2,935	\$3,240	\$3,927
Debt (\$m)	\$1,077	\$1,092	\$1,085	\$1,109	\$1,142
Enterprise Value (\$m)	\$3,049	\$3,542	\$4,020	\$4,349	\$5,069
Debt to Enterprise Value	35.7%	31.1%	27.2%	25.8%	22.8%
Standard & Poor's Credit Rating	A-/Stable/A-2	A-/Stable/A-2	A-/Stable/A-2	A-/Stable/A-2	A-/Positive/A-2

- Auckland Airport has been reinvesting surplus cash flows in the business to drive growth
- This investment and strong execution has significantly improved profitability over the last five years
- Key credit metrics have strengthened beyond historic levels
- In effect shareholders now hold a significantly higher proportion of the Company's funding

Strong performance – Strengthening credit ratios



Year Ended 30 June	2009	2010	2011	2012	2013
Auckland Airport passenger summary					
Domestic passengers	5,598,077	6,032,410	6,040,265	6,236,915	6,760,537
International passengers (incl. transits)	7,359,611	7,415,792	7,392,045	7,769,207	7,755,678
Total passengers	12,957,688	13,448,202	13,432,310	14,006,122	14,516,215
Auckland Airport financial summary					
Revenue (\$m)	368.295	363.113	397.723	426.813	448.458
Expenses (\$m)	88.881	86.802	99.494	107.524	117.624
EBITDAFI ¹ (\$m)	279.414	276.311	298.229	319.289	330.834
Net profit after tax (\$m)	41.725	29.694	100.761	142.284	177.967
Underlying earnings (\$m)	105.891	105.051	120.870	139.025	153.781
Underlying earnings profit growth	2.1%	-0.8%	15.1%	15.0%	10.6%
FFO² / Debt	15.0%	15.0%	17.1%	17.9%	18.4%
FFO² Interest cover ratio	3.1	3.3	3.6	3.9	4.2
Debt / EBITDAFI¹ ratio	3.9	4.0	3.6	3.5	3.5
Debt / Enterprise value	35.7%	31.1%	27.2%	25.8%	22.8%
Total assets (\$m)	3,088.149	3,262.058	3,866.210	3,875.533	3,938.552
Capital expenditure (\$m)	87.593	54.290	74.774	83.142	93.471
Dividend (cents per share)	8.20	8.20	8.70	10.50	12.00

Footnotes:

1) Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates

2) Funds from operations

Strategic rationale – Faster, Higher, Stronger



- Being fast, efficient and effective is a key theme of our new Faster, Higher, Stronger business strategy
- This productivity theme includes efficient use of our investors' money.
- The strength of the Company following the capital return means we can continue to invest in our long-term growth prospects. This includes our future aspirations for the development of Auckland Airport for the benefit of shareholders our customers, the city and the country

The proposed capital return



- Capital return to be by way of a Court approved arrangement (“Arrangement”)
- The proposed return of capital will result in:
 - one in every 10 shares held by each shareholder to be cancelled
 - for each share cancelled the shareholder will receive \$3.43, approximately the share price at the close of business on 27 November 2013
- The Company will apply to the High Court of New Zealand to put the Arrangement to shareholders
- Shareholder approval by special resolution (75% majority of voting shareholders) is required
- If shareholders approve the arrangement the Company will seek final orders from the High Court

Payment for each
cancelled share

\$3.43

Share cancellation

1:10

Capital returned

\$454m

Target Standard & Poor's credit rating



- We believe the capital return should result in Auckland Airport maintaining our target of an A- stable credit rating
- To establish the amount of the capital return Auckland Airport considered:
 - the newly released Standard & Poor's rating criteria
 - our future capital requirements
 - financial flexibility, liquidity position and treasury policies to mitigate adverse business events
- The stability of a long term A- credit rating enhances Auckland Airport's long-term funding flexibility
- Our debt funding capacity following the capital restructure will remain strong

Funding of capital return

- The Company will immediately seek short-term bank facilities to provide funding certainty to the capital return
- If shareholders approve the capital return, the Company will replace the short-term bank facilities with long-term funding consistent with our treasury policies
- Final refinancing will be targeting an average debt maturity greater than seven years

Dividend policy and dividend timing



- Auckland Airport dividend policy remains:

“Auckland Airport’s dividend policy is to pay 100% of underlying net profit after tax (excluding unrealised gains and losses arising from a revaluation of property, or treasury instruments and other one off items), noting that in special circumstances the Directors will consider the payment of ordinary dividends above or below this level, subject to the Company’s cash flow requirements, forecast credit metrics and outlook at the time.”
- The capital return timing coincides with the time when Auckland Airport could be expected to pay its 2014 interim dividend
- Auckland Airport does not envisage paying an interim dividend and carrying out a capital return at the same time
- The next ordinary dividend payment is therefore expected in October 2014

Taxation implications

- Objective is to return capital as efficiently as possible
- IRD is satisfied that a capital return, in the manner proposed, is not in lieu of the payment of a dividend
- Approximately \$181.6 million of the return will fully utilise the Company's Available Subscribed Capital and will be treated as a return of capital and not a dividend
- Approximately \$272.4 million, being the amount in excess of the Company's Available Subscribed Capital, will be deemed a dividend for New Zealand income tax purposes fully imputed at the 28% tax rate

Impact on the Company



	Before	After
Auckland Airport shares issued	1,322,772,589	1,190,495,330
Share price on close of business before announcement	\$3.43	
Assumed share price after the capital return		\$3.43
Market Capitalisation	\$4,537m	\$4,083m
Notional total debt (as at 30 June 2013)	\$1,142m	\$1,142m
Capital return cash payment funded through borrowings	-	\$454m
Notional estimate of total debt after the capital return	\$1,142m	\$1,596m
Enterprise Value	\$5,679m	\$5,679m
Debt to Enterprise Value (at \$3.43 share price)	20.1%	28.1%

- After the capital return the debt to enterprise value will be consistent with levels achieved in 2011

Example of impact on a shareholder



	Before	After
Shares held	10,000	9,000
Share price on close of business before announcement	\$3.43	
Assumed share price after the capital return		\$3.43
Value of shares	\$34,300	\$30,870
Capital return cash payment to shareholders ¹	-	\$3,430
Value of shares and capital return ¹	\$34,300 ²	\$34,300 ³
Percentage ownership	0.000756%	0.000756%

¹ Subject to applicable withholding taxes

² Shares only

³ Cash (before tax) and shares

- Voting rights and distribution rights of shareholders will not be affected
- Capital return equates to \$3.43 per share cancelled. For tax purposes it will have two components
 - Amount treated as a capital return: \$1.37 per share cancelled
 - Amount treated as a dividend (fully imputed at 28%): \$2.06 per share cancelled

Expected timetable



Announcement of capital return	28 November 2013
Initial application to High Court	29 November 2013
Initial court orders expected to be made	Mid-December 2013
Send out notice of meeting to shareholders	Late January 2014
Shareholders meeting	Mid-February 2014
File affidavits and memo in support of originating court application	Mid-February 2014
Final orders made by High Court	Mid-March 2014
Record date for capital return entitlement	Early April 2014
Payment date for capital return	Mid-April 2014

- The timing above for court orders and judgments are best estimates only. If court orders are not received by the anticipated dates, subsequent dates will also be subject to change.