

# Wellington International Airport Limited

## Investor Presentation – 6.5 Year Retail Bond Offer

20 February 2024



Joint Lead Managers



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- WIAL's bonds maturing on 5 August 2024, which have a fixed interest rate of 4.00% per annum and are currently quoted on the NZX Debt Market under the ticker code WIA040;
  - WIAL's bonds maturing on 16 June 2025, which have a fixed interest rate of 5.00% per annum and are currently quoted on the NZX Debt Market under the ticker code WIA050;
  - WIAL's bonds maturing on 1 April 2030, which have a fixed interest rate until 1 April 2025 of 4.00% per annum (and will then reset until the maturity date) and are currently quoted on the NZX Debt Market under the ticker code WIA060;
  - WIAL's bonds maturing on 14 August 2026, which have a fixed interest rate of 2.50% per annum and are currently quoted on the NZX Debt Market under the ticker code WIA070;
  - WIAL's bonds maturing on 24 September 2031, which have a fixed interest rate until 24 September 2026 of 3.32% per annum (and will then reset until the maturity date) and are currently quoted on the NZX Debt Market under the ticker code WIA080; and
  - WIAL's bonds maturing on 24 August 2028, which have a fixed interest rate of 5.78% per annum and are currently quoted on the NZX Debt Market under the ticker code WIA090;
- (together the Existing Bonds).

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WIAL has an issuer credit rating of BBB (stable outlook) from S&P Global Ratings. WIAL expects the Bonds will receive an issue credit rating of BBB from S&P Global Ratings. A rating is not a recommendation by an organisation to buy, sell or hold the Bonds. The WIAL issuer credit rating is current as at the date of this presentation, and ratings are subject to suspension, revision or withdrawal at any time by S&P Global Ratings.

Unless the context otherwise requires, capitalised terms used in this presentation have the same meaning given to them in the Term Sheet for the offer.

# Overview of the Offer



<b>Issuer</b>	<b>Wellington International Airport Limited</b>
Instrument	Unsecured unsubordinated fixed rate bonds
Ranking	Bonds will rank equally with WIAL's existing bonds, banking and USPP debt obligations
Issue Amount	Up to \$75m plus up to \$25m oversubscriptions
Maturity Date	4 September 2030 – 6.5 year term
Joint Lead Managers	ANZ and Forsyth Barr

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## **Bond Offer Objectives**

Refinance WIA040 \$60m bonds maturing 5 August 2024 and funding for general corporate purposes	Term out funding and achieve longer tenor, consistent with WIAL's long dated infrastructure assets	Retain diversification of funding market access – banks, retail bond market and USPP
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# Agenda

- Business Overview & Executive Team
- Aeronautical Business & Passenger Numbers
- Commercial Businesses
- Financial Results
- Funding, Covenants & Credit Rating
- 2040 Masterplan
- Sustainability - Kaitiakitanga
- Bond Offer Terms & Timetable



# Overview of Business & Half-Year Results

Gateway to New Zealand's capital city and central region



Passengers

**HY24**

2.7m

**FY23**

5.3m



Total Revenue

\$76.7m

\$139.8m



EBITDAF \*

\$50.6m

\$89.6m



Operating Cash Flows \*

\$36.3m

\$54.6m



Capital Expenditure

\$24.7m

\$42.3m



Total Assets

\$1.7bn

\$1.8bn

Financial figures are NZ\$. Data obtained from WIAL's audited FY23 annual report (12 months ended 31 March 2023) and unaudited FY24 half-year financial statements (6 months ended 30 September 2023).

\* EBITDAF and operating cash flows are pre-subvention payment.

# Key Credit Considerations

Proven resilience and focused on achieving sustainable growth



## Resilient, domestic-focused passenger base

- Limited exposure to border closures relative to other major NZ airports.
- Track record of strong performance in challenging Covid lockdown conditions, with a strong management/shareholder response.

## Ongoing investment delivering growth and diversification

- Revenue diversified over recent years through investment in hotel, property portfolio, Transport Hub and terminal redevelopment.
- Landholding expanded ~30% with acquisition of old Miramar South School site and southern half of the Miramar Golf Club.
- Positioned to deliver Masterplan and meet future passenger growth.

## Issuer credit rating of BBB/stable outlook

- Long-term investment grade issuer credit rating, reaffirmed by S&P in September 2023.

## Light handed economic regulatory regime

- Information disclosure regime for the aeronautical business of the main NZ airports, with landing charges set through airline consultation process.

## Private/public ownership model

- Long-term shareholding since 1998 (Infratil 66% / Wellington City Council 34%).
- WCC considering possible sale of shareholding with public consultation process.



Photo credit: @haydenmontgomerie

# Executive Team

Strong leadership & extensive airport experience



## **Matt Clarke – Chief Executive Officer**

Matt has over 20 years' experience in the airport industry having first joined Infratil's airport team in Europe after serving as the Chief Executive of Rotorua Airport. He has been at Wellington Airport since 2010 as Chief Commercial Officer, playing a key role in the strategic development of the business before taking over as Chief Executive in 2022. He holds a Bachelor of Commerce degree from the University of Canterbury and has completed post-graduate studies at Melbourne Business School and the New Zealand Institute of Directors.



## **Martin Harrington – Chief Financial Officer**

Martin joined the Wellington Airport team in 2008, prior to this, he held a number of senior finance roles within various industry sectors, including transport, tourism and financial services in the UK, Europe and NZ. He is a Chartered Accountant and responsible for financial performance, analysis and reporting, treasury, risk management, insurance, technology, taxation and regulatory services for the business.



## **Ayolt Wiertsema – GM Operations**

Ayolt Wiertsema is responsible for airport operations and joined the Wellington Airport team in 2011. He has significant aviation experience with 12 years at Amsterdam Airport Schiphol. Ayolt also has a background in service management consultancy and marketing.



## **Jenna Raeburn – GM Corporate Affairs**

Jenna joined the Wellington Airport team in 2019 and is primarily responsible for regulatory and legal compliance, government and community relations, communications and sustainability. Her background is in politics with a foundation in law and economics. She also has extensive government relations experience across a range of sectors including transport, technology, e-commerce and infrastructure.



## **Nick Petkov – GM Infrastructure & Development**

Nick has been with Wellington Airport for over a decade. He started his career in airport operations before moving into project management. He has extensive experience in planning and delivering significant projects in an airport environment, having previously been Head of Airfield Development and Delivery.



## **Richard Dalby – GM Commercial**

Richard is responsible for managing the retail, property and transport functions of the airport. He is a Chartered Accountant and has over 12 years' experience within the aviation industry having held numerous roles at Wellington Airport and with British Airways in the UK.



## **Jackie Holley – GM People and Culture**

Jackie has over 15 years of HR experience, having worked in various HR roles for a diverse range of organisations, including PwC, AXA, Intergen and ACC. Jackie has a Masters in Psychology and her most recent role at ACC was as the Deputy Head of Assurance Services.

# Overview of Aeronautical Business

Aeronautical charges comprise ~55% of total revenue

## Resilient passenger base

- High weighting towards the domestic market (85% domestic / 15% intl) limits exposure to border closures.
- Serving the home of Government supports demand even in challenging conditions.

## PSE5 airline pricing

- Regulatory regime for NZ airports requires pricing to be reset at least every 5 years through airline consultation. Current pricing period ("PSE4") expires 31 March 2024.
- The PSE5 consultation process is well progressed and WIAL expects to issue the final pricing decisions shortly, with new prices effective from 1 April 2024.
- Given Covid uncertainty when PSE4 prices were set, WIAL deferred a portion of revenue and capped prices at an average of \$15/passenger in FY24. A passenger wash-up mechanism was also agreed (to be calculated at the end of PSE4). The revenue deferral and passenger wash-up are therefore part of PSE5 consultation.
- Incentives are in place for new and expanded airline routes.

## Commerce Commission IMs

- The Commerce Commission recently concluded its 7 yearly review of its Input Methodologies in December 2023, which includes an increase in their estimate of asset beta for airports (0.67 up from 0.60).
- NZ Airports Association, along with AKL, WLG and CHC have filed a merits review in the High Court to seek a stable long-term asset beta methodology.



# Passenger Numbers

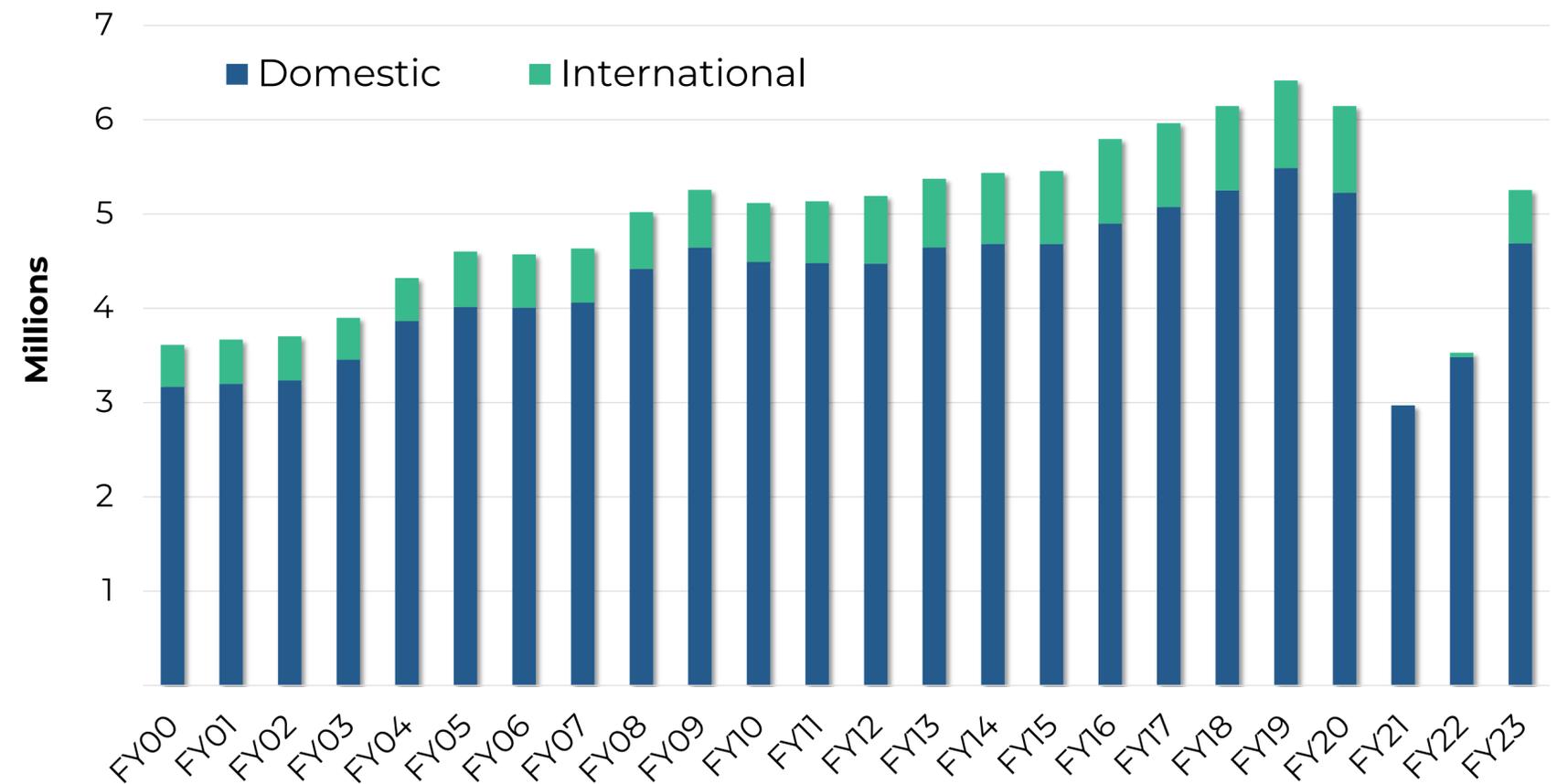
Dec 2023: domestic 86% and international 85% of Dec 2018



## Long-term growth fundamentals remain strong

- Stable 2.7% average growth in passengers p.a. over 20 years pre-Covid (2000–2020).
- Well positioned for future growth as a central location providing domestic hub connection, NZ's capital city and home of Government, high barriers to entry, New Zealand's second largest economy and point-to-point international travel.
- WIAL's central location and regional route network make it well suited for the next generation of sustainable aircraft.

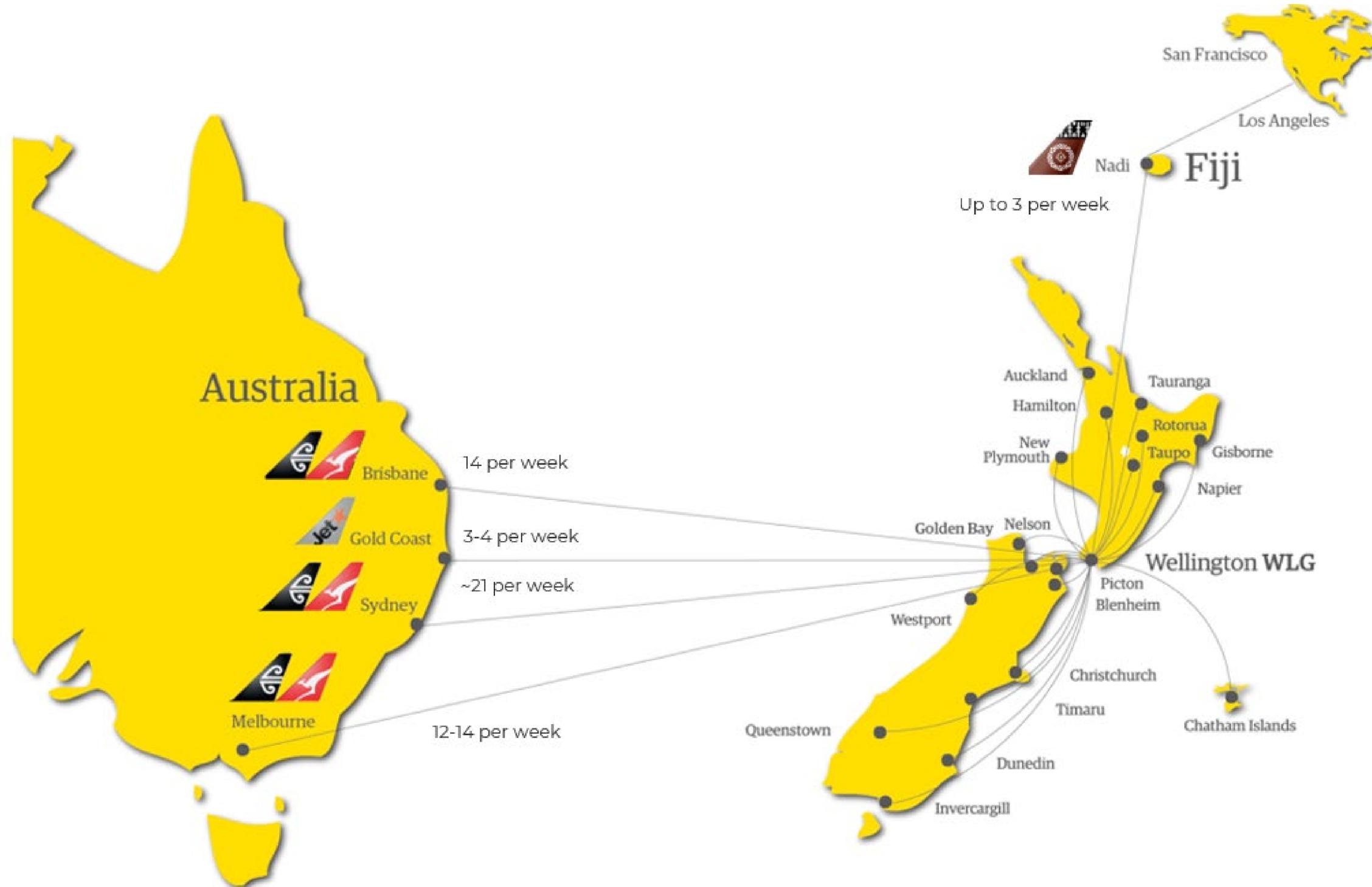
### Passenger Numbers FY2000 - FY2023



 **+2.7%** Avg. Annual Passenger Growth Pre-Covid (20yrs from 2000 – 2020)

# Current Route Network

All key routes restored, international capacity still rebuilding



# Overview of Commercial Business

Diversified revenue streams contributing ~45% revenue



## Property

- Diversified rent roll with tenancies ranging from main campus leases to residential properties, logistics hub, community facing restaurants and large format retail park.
- Ongoing expansion with acquisition of landholdings around airport, construction of new Field Air building, lease of Lyall Bay land to Greater Wellington City Council, and Southern Hillock being cleared for development.

## Hotel

- 134 room 4-star hotel, restaurant and conference centre opened early 2019. Fully integrated with the airport terminal.

## Carparking & Transport

- A range of carparking products offered including valet.
- Multi-Level Transport Hub was opened in 2018 with 1,000 additional parking spaces and electric vehicle business.
- Concessions from taxis, rideshare, buses and rental cars.

## Retail & Advertising

- Terminal continually refreshed to optimise offerings.
- Revenue generated from advertising plus concessions from duty free, food/beverage and specialty stores.
- Approximately 30 retailers now spread throughout the terminal.



# Key Financial Results

EBITDAF \$50.6m for 6 months ended 30 September 2023



- FY24 half-year EBITDAF result \$50.6m represents a full recovery to pre-Covid earnings (FY20 half-year \$50.4m).
- This strong financial performance has continued over subsequent months and focus on efficiency remains as the business scales up.
- Total assets of \$1.7bn at HY24, up 25.8% from FY20 with ongoing capital investment and valuation uplifts.

(\$m)	HY24	FY23	FY22	FY21	FY20
Aeronautical Charges	40.3	77.3	54.3	34.0	80.8
Retail & Trading Revenue	27.0	46.8	27.4	22.1	52.1
Property Revenue	9.3	15.7	13.9	12.7	13.5
<b>Total Revenue</b>	<b>76.6</b>	<b>139.8</b>	<b>95.6</b>	<b>68.8</b>	<b>146.4</b>
Operating Costs	26.0	50.2	38.8	32.8	43.2
<b>EBITDAF*</b>	<b>50.6</b>	<b>89.6</b>	<b>56.8</b>	<b>36.0</b>	<b>103.2</b>
Operating Cash Flows**	36.3	54.6	30.5	7.2	79.7
Capital Expenditure	24.7	42.3	17.8	35.0	80.6
Total Assets	1,726	1,801	1,531	1,496	1,372

Financial figures are NZ\$. Data obtained from WIAL's audited FY20 – FY23 annual reports and unaudited FY24 half-year financial statements.

\* EBITDAF – Earnings before interest, tax, depreciation, amortisation, subvention payments and fair value movements.

\*\* Operating cash flows are pre-subvention payment.

# Liquidity & Funding

Strong undrawn liquidity and diversified debt portfolio



## Liquidity

- Currently ~\$10m cash in bank/readily available deposits.
- WIAL has \$100m total facilities across four banks, of which \$25m is drawn.
- \$70m bank facilities mature 2025 and \$30m in 2026.
- WIAL policy is to maintain sufficient liquidity to manage future downside risk and maintain minimum BBB rating.

## Bonds and USPP

- Currently \$530m of retail bonds on issue and a US\$72m US Private Placement.
- Maturities are spread over 2024 – 2031. Weighted average term to maturity on drawn debt is 4.2 years.
- Next maturity is \$60m on 5 August 2024 (WIA040).

## Existing Debt and Maturities (\$m)



# Covenants & Credit Rating

Headroom against all covenants, committed to minimum BBB credit rating



## Covenant performance as at 30 September 2023

- Compliant with all covenants, no waivers in place.
- Leverage 40.4% (equivalent to headroom of \$318m debt as at test date).
- Interest bearing debt/TTA 37.8% (equivalent to headroom of \$556m debt as at test date).
- EBITDA/senior interest ratio 298.6% (equivalent to headroom of \$38.1m EBITDA over prior 12 months).

Covenants	Applies to	30 Sep 2023	31 Mar 2023
Secured Liabilities/TTA Ratio (<5%)	Banks/USPP	0.0%	0.0%
Leverage Ratio, Debt:Debt+Equity (<60%)	Banks/USPP	40.4%	41.4%
Guaranteeing Group TTA Ownership (>90%)	Banks/USPP	99.6%	99.4%
EBITDA/Senior Interest Ratio (>180%)	Banks/USPP	298.6%	290.1%
Secured Debt/TTA Ratio (<10%)	USPP/Bonds	0.0%	0.0%
Interest Bearing Debt/TTA Ratio (<70%)*	USPP/Bonds	37.8%	39.0%

## S&P issuer credit rating BBB, stable outlook\*\* and expected issue rating of BBB

- WIAL is currently committed to a minimum BBB issuer rating. Last reaffirmed by S&P in September 2023.
- Key metrics including FFO:debt continue to recover in line with financial performance and remain above BBB levels.

\* Note that retail bonds include a 0.50% interest rate step-up if total interest bearing debt exceeds 60% of total tangible assets on a test date. (This 0.50% increase in the interest rate only applies to the interest rate for the next interest period after the test date, not the interest rate until maturity).

\*\* A rating is not a recommendation by an organisation to buy, sell or hold the Bonds. The WIAL issuer credit rating is current as at the date of this presentation and ratings are subject to suspension, revision or withdrawal at any time by S&P Global Ratings.

# 2040 Masterplan



Delivery unlocked through expanded landholdings & infrastructure investment

The Masterplan provides a roadmap for future sustainable investment, ensuring the airport is well positioned for future growth in pax numbers and aircraft traffic and is a key component of airline consultation

Miramar Golf Club Southern Development (underway)

Terminal Extension – 8 Million Passenger Capacity

Apron Expansion

Baggage Handling System

Remove Southern Hillock (completed)

Bus Depot & Rental Car Development (completed)

Taxiway Bravo Resurfacing (completed)

Logistics Hub Development (underway)

Airport Fire Station Relocation (underway)

Seawall Upgrades

# Kaitiakitanga – Sustainability Update

Targeting net zero airport operational emissions (scope 1, 2 and staff travel) by 2030



## Airport Operational Emissions – Scope 1 & 2

Targeting net zero scope 1, 2 and staff travel emissions by 2030 and longer term ambition to be absolute zero by 2050. Seeking independent, science-based verification. Improving energy efficiency of assets and electrification of ground fleet.



## Scope 3 Emissions

Partnering with industry and airline partners to advance implementation of sustainable fuels/electric aircraft in Wellington. Member of Industry Advisory Board for Heart Aerospace.



## Airport Carbon Accreditation

Achieved Level 2 (Reduction) renewal under the Airport Carbon Accreditation programme and aiming to progress up the levels over coming years.



## Global Benchmarking

Benchmarking against other airports/infrastructure assets under theGRESB framework. 2023 score of 96/100, 5<sup>th</sup> out of airports globally, and 85<sup>th</sup> of total 681 entities.



## Linking to Financing Strategy

\$100m of bank facilities transitioned to sustainability linked loans. Interest rates linked to performance against a suite of ambitious targets.



## NZ Climate Related Disclosures

New disclosures mandated from 2024, WIAL voluntarily made early disclosure in 2023.



# Summary Bond Offer Terms



<b>Issuer</b>	Wellington International Airport Limited (WIAL).
<b>Status</b>	Unsecured, unsubordinated, fixed rate bonds.
<b>Purpose</b>	Refinancing of WIA040 \$60m bonds maturing 5 August 2024 and for general corporate purposes.
<b>Issuer Credit Rating</b>	BBB (stable) (S&P Global Ratings).
<b>Expected Issue Credit Rating</b>	BBB (S&P Global Ratings).
<b>Issue Amount</b>	\$75,000,000 plus up to \$25,000,000 oversubscriptions (at WIAL's discretion).
<b>Maturity</b>	4 September 2030 (6.5 year term).
<b>Interest Rate</b>	The Interest Rate will be announced via NZX on or shortly after the Rate Set Date. The Interest Rate will be equal to the sum of the Base Rate and the Issue Margin, (but in any case will no be less than the minimum Interest Rate).
<b>Change to Interest Rate</b>	If on any Test Date (semi-annual), Total Interest Bearing Debt exceeds 60% of Total Tangible Assets (TTA), then the Interest Rate for the next Interest Period shall increase by 0.50% per annum over the original Interest Rate.
<b>Indicative Issue Margin and Minimum Interest Rate</b>	To be announced via the NZX on the Opening Date (20 February 2024).
<b>Interest Payment Dates</b>	Payable semi-annually in arrear in equal amounts on 4 March and 4 September.
<b>Quotation</b>	Expected to be quoted on the NZDX (ticker code WIA100).
<b>Denominations</b>	Minimum \$10,000 holding then \$1,000 increments.
<b>Early Redemption</b>	<p>WIAL may elect to redeem some or all of the Bonds. On early redemption, WIAL will pay to Holders the greater of:</p> <ul style="list-style-type: none"> <li>(a) the Principal Amount plus Accrued Interest; and</li> <li>(b) the volume weighted average price on the NZX.</li> </ul> <p> Holders of the Bonds have no right to request or require WIAL to redeem prior to the Maturity Date, except in accordance with the Trust Documents following an Event of Default.</p>
<b>Financial Covenants</b>	<p>Total Secured Debt cannot exceed 10% of TTA.</p> <p>Total Interest Bearing Debt cannot exceed 70% of TTA.</p> <p>Non-compliance with material obligations (which would include a breach of a financial covenant) is an Event of Default, subject to remedy where the non-compliance is capable of remedy.</p>

# Bond Offer Timetable



**20 February 2024**

**Offer Opens**

20 February 2024

Roadshow

**23 February 2024**

**Offer Closes 11am**

23 February 2024

Allocations & Interest Rate Set

**4 March 2024**

**Issue Date**

5 March 2024

Expected Quotation Date

4 September 2024

First Interest Payment Date

**4 September 2030**

**Maturity Date**

All dates are indicative only and subject to change

