

Welcome to Sydney's Airport

SYD

Half year results 2021

20 August 2021

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Disclaimer

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Sydney Airport advises that on 10 August 2021 foreign ownership was 32.2%

Authorised for ASX release by the SAL and TTC SAL Boards.

Acknowledgement of Country

Sydney Airport would like to acknowledge the Aboriginal people of coastal Sydney who are the Traditional Custodians of the land on which today's airport sits.

They identify themselves in a number of ways including Gamayngal, Bideagal, Gweagal, Gadigal and Gadhungal.

We pay our respects to them, their cultures and to their Elders past, present and emerging and to other Aboriginal and Torres Strait Islander people who have made this area their home.

Safety share

Australia has one of the best aviation safety records in the world and we want to keep it that way



Critical runway safety project with extensive stakeholder engagement



Reconstructing a 9,200sqm concrete slab on the northern end of the main runway



Unique opportunity to undertake critical safety project at a time of lower aircraft activity at SYD, with the ability to deliver a superior quality outcome



Consultation with over 70 aviation organisations and airline groups and more than 330,000 community notifications



Working closely with stakeholders to deliver a solution that minimises impacts during project

Indicative proposal

Unsolicited, conditional and non-binding proposal to acquire Sydney Airport

On 5 July 2021, Sydney Airport announced that it had received an unsolicited, indicative, conditional and non-binding proposal from a consortium of infrastructure investors (the "Consortium") to acquire 100% of the stapled securities in Sydney Airport at an indicative price of A\$8.25 cash per stapled security (the "Indicative Proposal")

On 15 July 2021, after careful consideration the Sydney Airport Boards announced they had unanimously concluded that the Indicative Proposal undervalued Sydney Airport and was not in the best interests of Securityholders

On 16 August 2021, Sydney Airport announced that it had received a Revised Indicative Proposal, with an increase in the offer price to A\$8.45 cash per stapled security. The Boards also announced that they had unanimously concluded that the Revised Indicative Proposal continues to undervalue Sydney Airport and is not in the best interests of Securityholders

In coming to the conclusion¹, the Boards considered a range of factors which were included in the original ASX announcements

The Boards remain open to engaging with the Consortium should the indicative price be lifted to appropriately recognise long term value for Sydney Airport Securityholders

Sydney Airport continues to focus on delivering on the group's strategy and ensuring the airport is well positioned to manage through the pandemic and capitalise on its post Covid recovery

Details of the Revised Indicative Proposal

Method	Acquire 100% of stapled securities by way of a scheme of arrangement and trust scheme
Indicative price	A\$8.45 cash per stapled security
Consortium	IFM, Qsuper, Global Infrastructure Management and AustralianSuper
Conditions	<p>Unisuper agreeing to reinvest</p> <p>Satisfactory due diligence</p> <p>Investment committee approvals</p> <p>Unanimous recommendation by Sydney Airport Boards</p> <p>Mutually acceptable scheme of implementation deed</p> <p>Securityholder approval, and court and regulatory approval</p>

1. The announcements from Sydney Airport on 15 July 2021 and 16 August 2021 include a comprehensive list of these considerations

2021 half year results

Chief Executive Officer
Geoff Culbert

SYD

Key metrics

1H21 results continue to reflect the impact of the COVID-19 pandemic

Total passengers¹

6.0m

↓ 36.4% from 1H20

↓ 72.4% from 1H19

Revenue

\$341.6m

↓ 33.2% from 1H20

↓ 57.1% from 1H19

EBITDA

\$210.8m

↓ 29.8% from 1H20

↓ 54.7% from 1H19

Net operating receipts

\$1.8m

↓ 98.0% from 1H20

↓ 99.6% from 1H19

Operating expenses²

\$74.2m

↓ 7.8% from 1H20

↓ 26.7% from 1H19

Capital expenditure

\$65.2m

↓ 57.3% from 1H20

↓ 43.8% from 1H19

1. International passengers 0.3m, down 91.0% on 1H20 and down 96.2% on 1H19; domestic passengers 5.7m, down 3.1% on 1H20 and down 57.5% on 1H19

2. Total operating expenses excluding \$27.3m security recoverable expense and \$52.2m expected credit loss expense (ECL)

Distribution

No interim distribution 1H21

No distribution guidance will be provided at this time

Updates will be provided on the outlook for future distributions as more clarity emerges around the timing and strength of recovery from the COVID-19 pandemic





2021 half year financial results

Chief Financial Officer
Greg Botham

SYD

Statutory income statement

\$ Million	1H21	1H20
Total revenue	341.6	511.0
Total other income	9.4	-
Total revenue and other income	351.0	511.0
Total operating expenses	(153.7)	(187.5)
Other expenses:		
Write-off of non-current assets	-	(22.2)
Indemnity income/(expense) ¹	13.5	(0.9)
Total other expenses	13.5	(23.1)
EBITDA	210.8	300.4
EBITDA ex. other income and other expenses	187.9	323.5
Depreciation and amortisation	(223.1)	(220.0)
(Loss)/Profit before net finance costs and income tax (EBIT)	(12.3)	80.4
Net finance costs	(185.3)	(208.9)
(Loss)/Profit before income tax benefit	(197.6)	(128.5)
Income tax benefit	100.2	74.9
Loss after income tax benefit	(97.4)	(53.6)
Attributable to Non-controlling interest ²	11.3	(1.8)
Attributable to securityholders	(108.7)	(51.8)

1. Indemnity income in respect of the Danish tax matters taken from note 12 in the Sydney Airport Interim Financial Report for the Half Year ended 30 June 2021

2. SAT1 operating profit for the half year. SAL is the head entity for the Consolidated Group for reporting purposes. Non-controlling interests represents SAT1 accounting results

Liquidity and debt maturity profile

Liquidity of \$2.9 billion as at 30 June 2021

30 June 2021 Metrics

Net debt ¹	\$7.5bn
CFCR ²	2.0x
Net debt / EBITDA ^{1,2}	14.0x
Credit rating	BBB+ (negative outlook)/Baa1 (negative outlook)
Next drawn maturity	November 2021
Average maturity	Late-2026
Average cash interest rate ³	4.5% ⁴
Spot interest rate hedge position	99% (incl. bank debt)

\$0.5bn of available cash

\$2.4bn of undrawn bank debt facilities

Ample liquidity available to repay \$200m bond maturing in November 2021

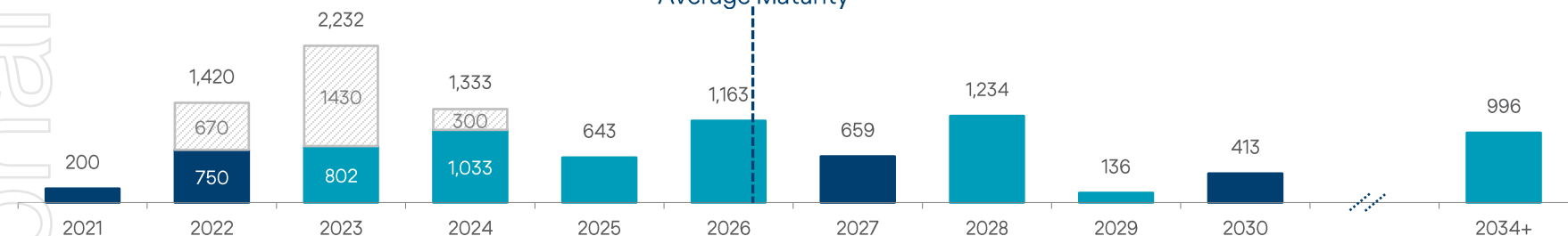
Committed to maintaining at least a BBB/Baa2 credit rating

Continue to expect to remain compliant with covenant requirements

Debt Maturity Profile (A\$m)⁵

Average Maturity

■ Domestic Bonds ■ Offshore Bonds ■ Undrawn Bank Debt

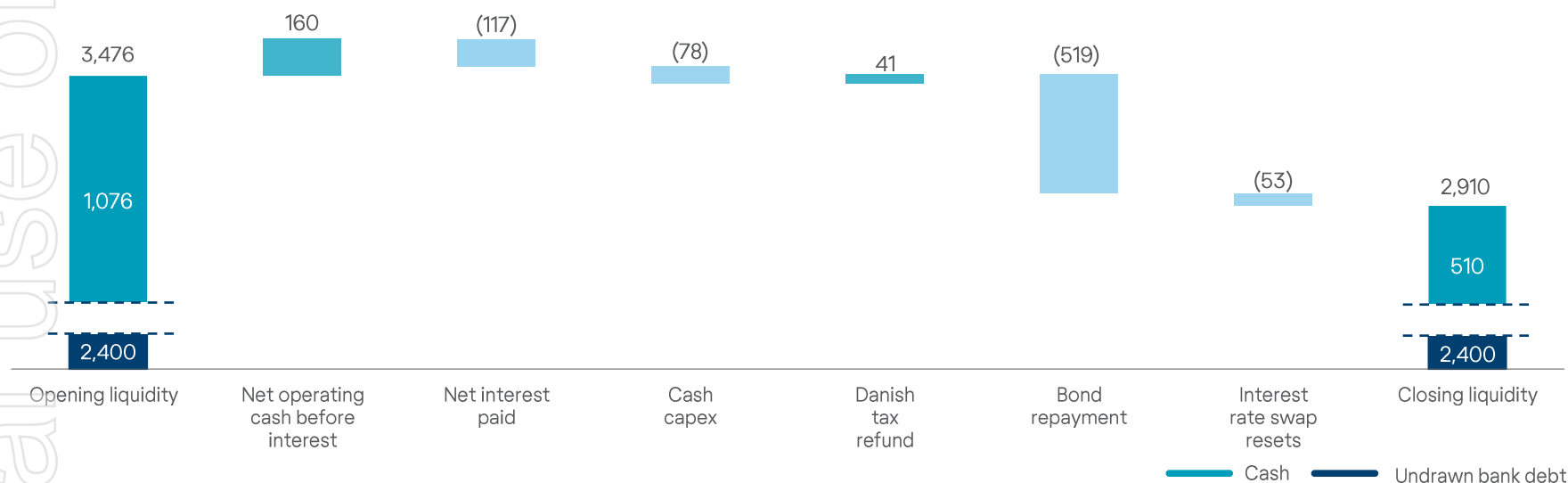


1. Includes lease liabilities and related interest expense due to the application of AASB 16
2. Calculated on rolling 12-month basis (CFCR metric calculated for the SCACH Group)
3. Excludes capitalised interest, fair value of swaps and amortisation of debt establishment and other costs
4. Excludes the benefit of interest rate swap resets executed to 30 June 2021 (2.9% including swap reset benefits)
5. As at 30 June 2021, including the \$150m SAL working capital facility (fully undrawn)

1H21 movement in cash position

Analysis of 1H21 cashflow

1H21 movement in cash (\$m)¹



- Bond repaid (\$519m) in February 2021
- \$70m of Sydney Gateway consideration received in 3Q21, balance of \$127m expected in 4Q21

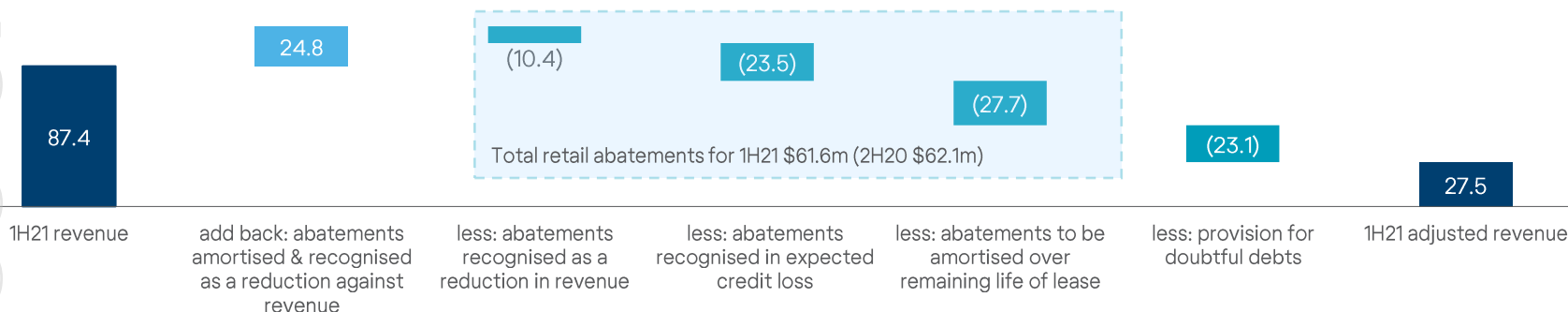
1. Taken from the Consolidated statements of cash flows in the Sydney Airport Interim Financial Report for the Half Year Ended 30 June 2021

2. Reset \$2.0bn interest rate swaps during 1H21, reducing ~12 months of interest payments by \$53m in exchange for a corresponding upfront payment

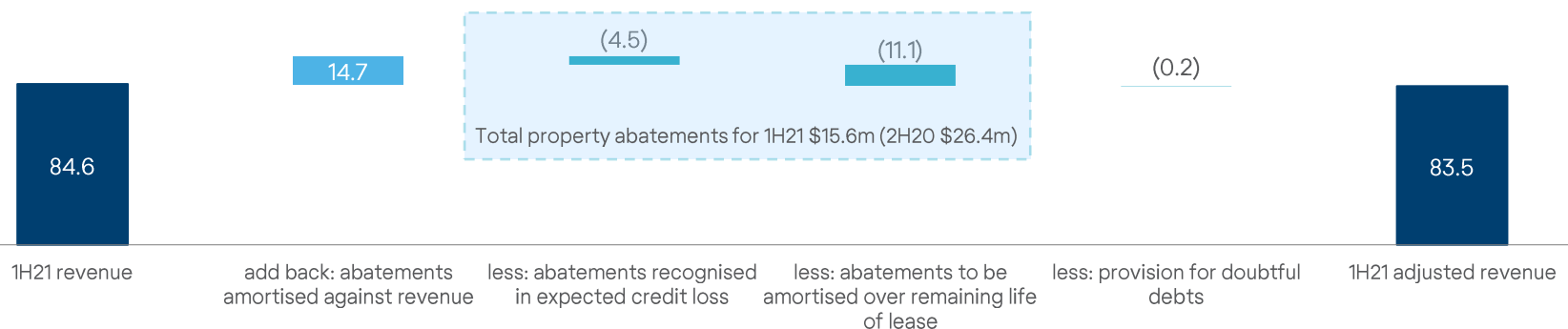
Revenue reconciliation

Breakdown of retail and property revenue recognised in 1H21

1H21 reported retail revenue to adjusted retail revenue (\$m)¹



1H21 reported property revenue to adjusted property revenue (\$m)¹

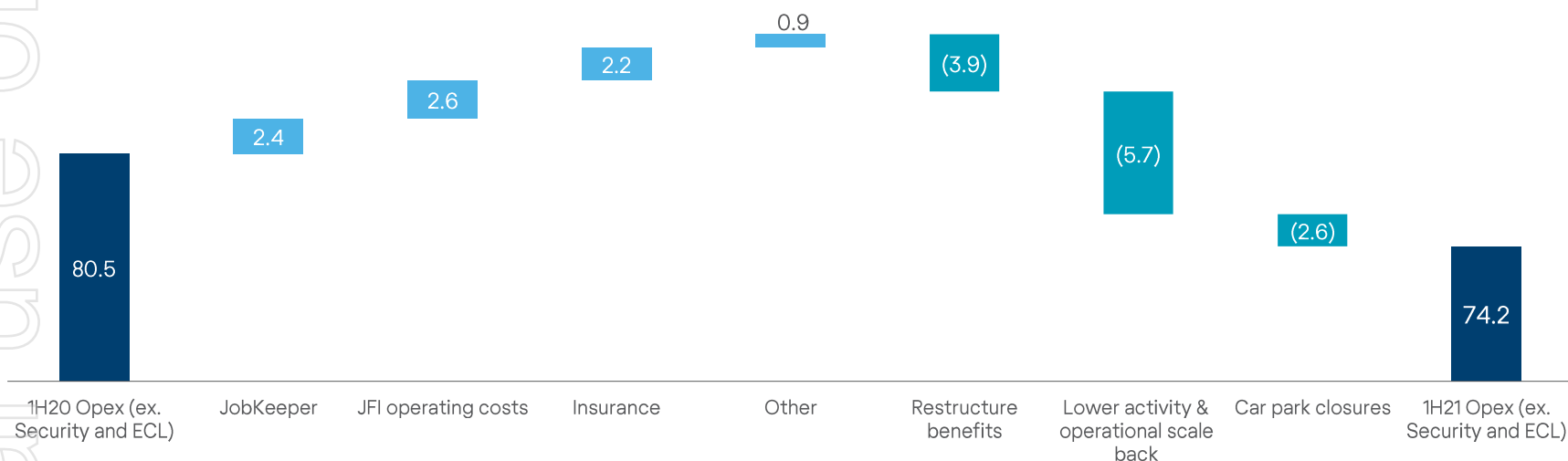


^{1.} In accordance with applicable accounting standards

Tightly controlled operating costs

Strong cost control maintained

1H20 to 1H21 movement in Opex (\$m)¹



- Disciplined approach to operating costs¹ continued into 2021, decreasing by 7.8% versus 1H20 (down 26.7% on 1H19)
- Step-ups driven by JobKeeper roll-off, Jet Fuel Infrastructure (JFI) operating costs and an increase in insurance premia
- Tight cost control will continue, ensuring cost add-back does not get ahead of the passenger recovery

¹ Excluding the impact of expected credit loss expense and security recoverable expenses

Disciplined investment in 1H21

Scaled back capex program in 1H21 of \$65.2m focusing on critical projects

T1 retail redevelopment



International arrivals forecourt



Airfield remediation works



Roads and access



Airport utilities network



T2 amenities upgrades



Business performance

Chief Executive Officer

Geoff Culbert

Chief Commercial Officer

Vanessa Orth

Chief Aviation Officer

Dhruv Gupta

SYD

Business performance

1H21 business performance driven by domestic passenger traffic

Aviation Revenue¹

\$110.8m

↓36.0% from 1H20

Adjusted Revenue

n/a

Retail Revenue

\$87.4m

↓40.6% from 1H20

Adjusted Revenue²

\$27.5m

↓73.4% from 1H20³

Property and Car Rental Revenue

\$84.6m

↓22.3% from 1H20

Adjusted Revenue²

\$83.5m

1.1% from 1H20³

Parking and Ground Transport Revenue

\$28.7m

↓24.7% from 1H20

Adjusted Revenue²

\$27.8m

↓27.0% from 1H20³

1. Excludes security recovery revenue of \$28.1m

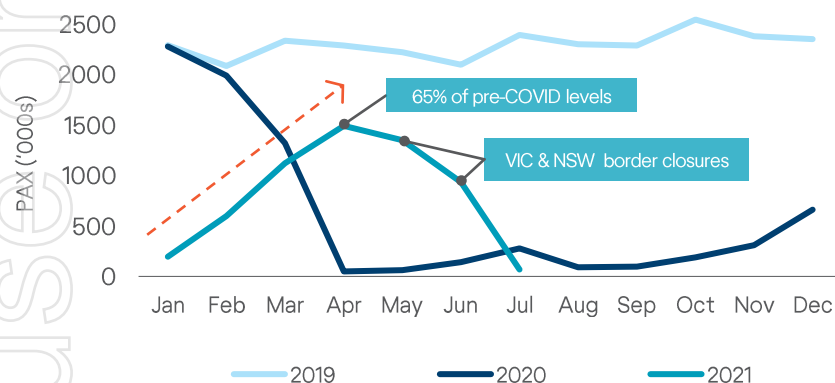
2. Taken from the Director's Report in the Sydney Airport Interim Financial Report for the Half Year Ended 30 June 2021

3. Compares 1H21 adjusted revenue to 1H20 adjusted revenue

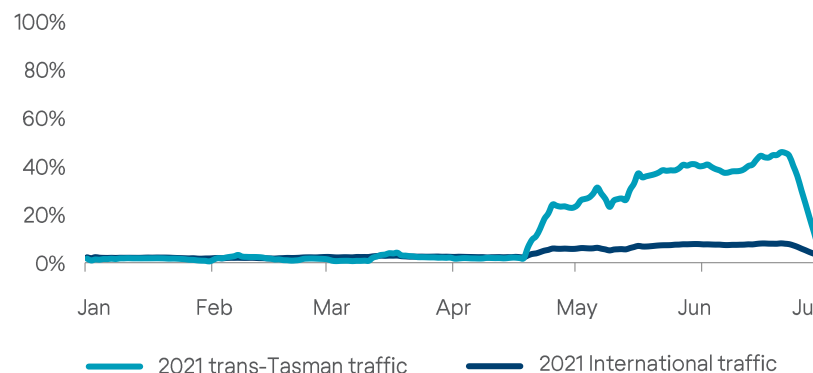
Traffic performance

Strong domestic rebound leading the passenger recovery

Domestic traffic



Trans-Tasman & International traffic recovery³



Strong rebound in domestic

- 1H21 domestic traffic recovered to 43% of pre-COVID levels¹
- At its peak, April traffic recovered to 65% of pre-COVID levels
- In mid-June, domestic seat capacity for 3Q21 reached 85%² of pre-COVID levels

International traffic remains subdued

- 1H21 international traffic totalled 318k, ~4% of pre-COVID levels
- Trans-Tasman traffic peaked at over 40% of pre-COVID levels
- Australia on track to hit 80% vaccination by end of the year triggering Phase C of Governments' plan and border openings

1. Prior corresponding period in 2019

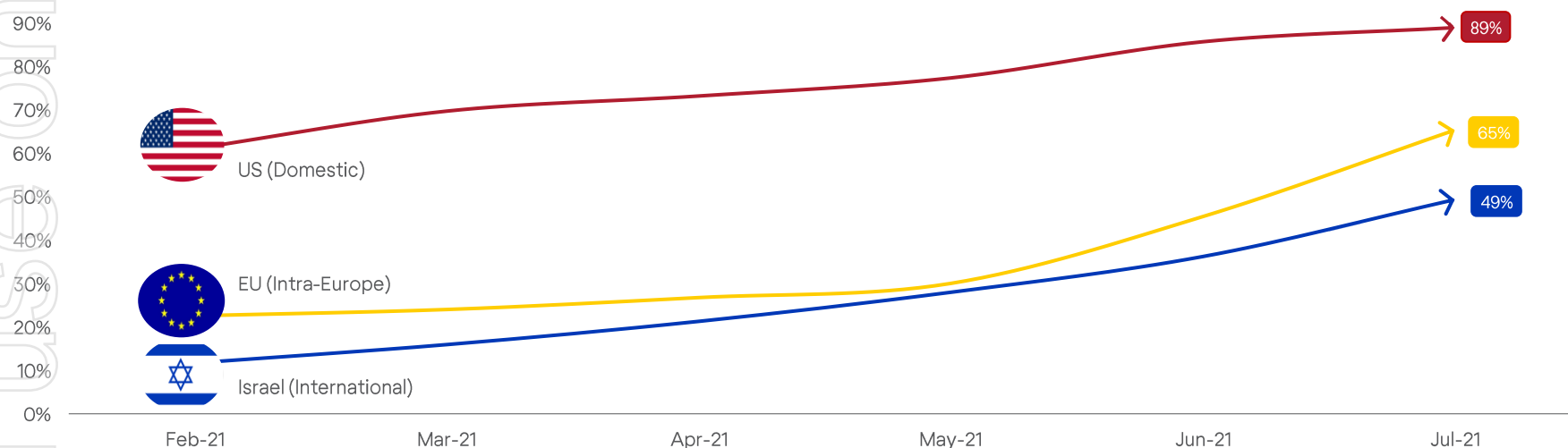
2. SRS Analyser, data as at 15 June 2021

3. Comparison of the rolling 7-day average trans-Tasman traffic and total international traffic against the pcip in 2019

Global recovery follows vaccination rates

Positive signs for a strong traffic recovery following vaccinations rates

Seat recovery in markets with strong vaccine progress¹



Seat capacity rebounds

- Countries with high vaccination rates are seeing rebounds in seat capacity, as airlines respond to passenger demand

Passenger recovery

- US passenger recovery following seat recovery, with July 2021 TSA checkpoint travel numbers at ~80%² of pre-COVID levels

Enabling infrastructure

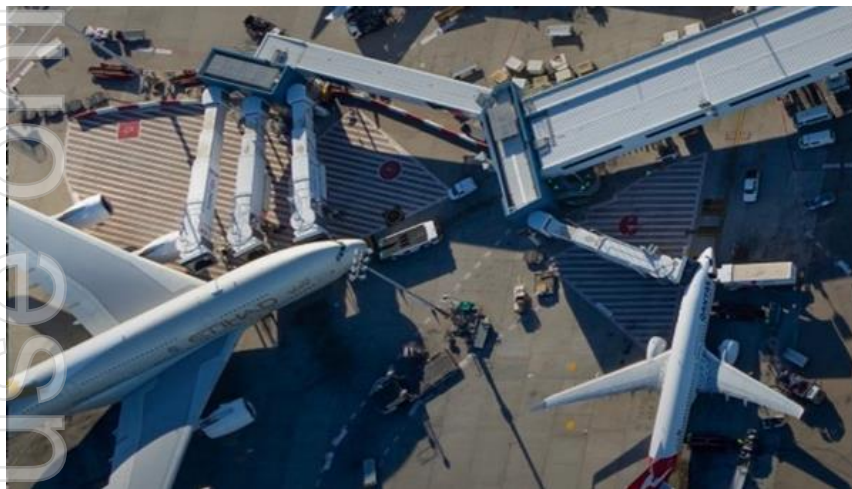
- Processes and digital infrastructure enabling freer movement are evolving and standardising globally

1. Source: Seat statistics, SRS Analyser

2. Source: July 2021 Transport Security Administration (TSA) checkpoint travel numbers vs 2019 prior corresponding period

Airline engagement & Slot review

Seeking stability in the short-term while enhancing long-term value



Short-term agreement extensions

- Pragmatic approach to extending agreements on broadly consistent commercial terms to June 2022
- Agreements reached with Qantas Group and international airline groups
- Ongoing discussions to extend Virgin Australia's domestic aeronautical arrangements
- Engaging with airlines around longer-term agreements, including infrastructure and product investments

Demand Management Scheme review

- First substantive review of scheme covering usage of slots at SYD in over 20 years
- Review identified 17 recommendations to improve the operation of the system
- Potential long-term value to Sydney Airport by improving the efficient usage of slots

Commercial portfolio performance

Domestic led commercial recovery

Retail

59% of stores trading in June, up from 41% in December 2020, domestic at ~85% and international at ~33%

73% of contracted rents¹ were abated in 1H21

97% occupancy as at 30 June 2021

¹ Excludes duty-free contracted rent

Property & car rental

19% of contracted rents were abated in 1H21

96% occupancy as at 30 June 2021

25 new property agreements (across 58 sites) on pre COVID-19 or improved commercial terms

Hotel occupancy at 32% in 1H21, up from 17% in 2H20

Parking & ground transport

Domestic demand for parking continues to track ahead of the domestic passenger recovery

1H21 revenue tracking ahead of PAX recovery

Additional capacity temporarily reopened in April 2021 to accommodate the increased demand when restrictions were lifted

Luxury brands invest in T1 precinct

12 new Global Luxury brands to reposition International luxury precinct

12 new Global Luxury Retailers commit to SYD

7 newly created standalone luxury boutiques, growing the luxury footprint by 30%

Remixing the existing luxury retail offering with 5 new brands and 4 existing retailers expanding into larger sites

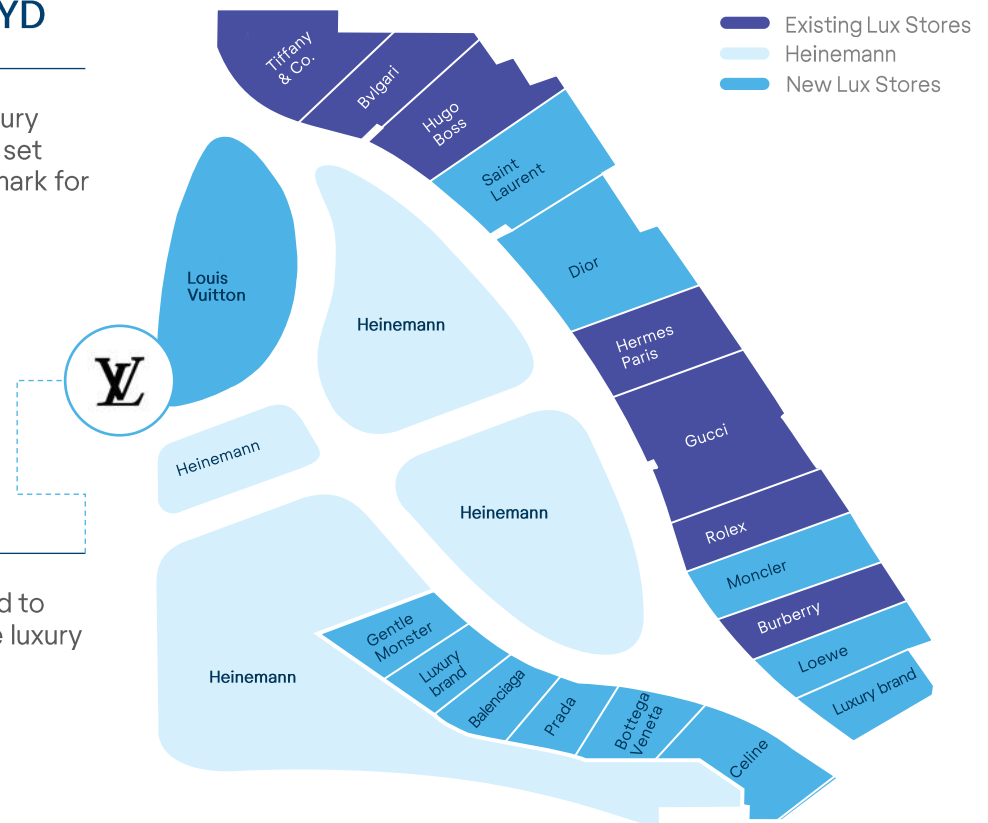
Deals with luxury retailers have set a new benchmark for SYD

Louis Vuitton to open stand-alone store

Louis Vuitton to open largest stand-alone luxury retail store in T1 in 2022

1st Australasian airport store for Louis Vuitton

Catalyst brand to reposition the luxury precinct

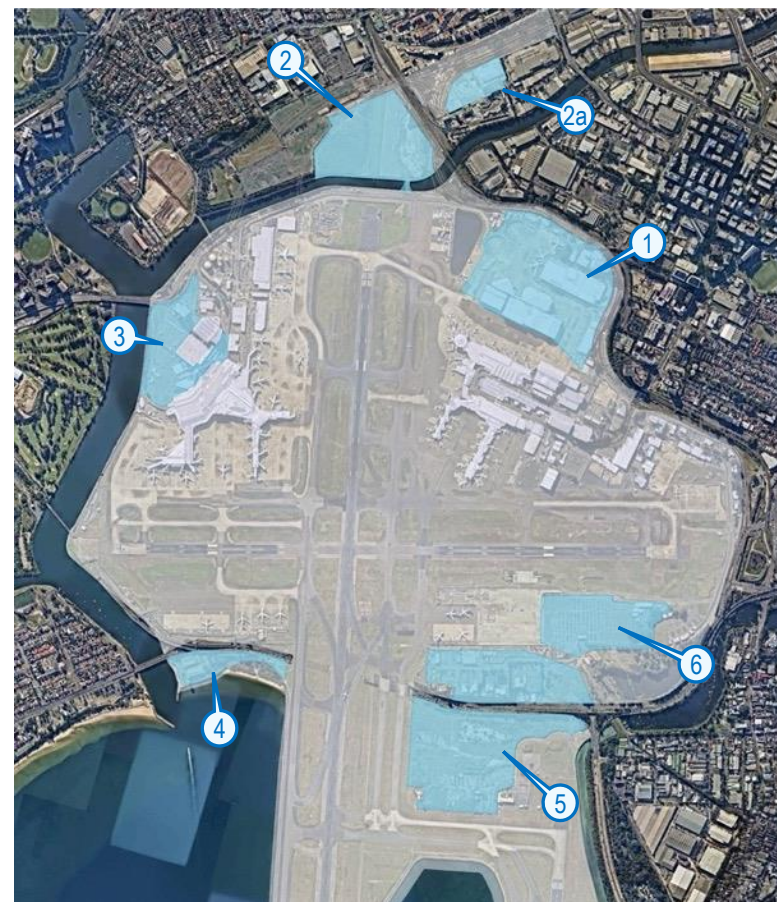


Progressing the development pipeline

Over 100 hectares of land under active planning for development pipeline

Reference	Precinct name	Area
1	Jet Base	25ha
2	Northern Lands (Low Height)	15ha
2a	Northern Lands (Burrows Road)	3Ha
3	Terminal 1 Landside	10Ha
4	Commonwealth Beach	4Ha
5	SSE Sector	23Ha
6	SE Sector	27Ha
	Total	107Ha

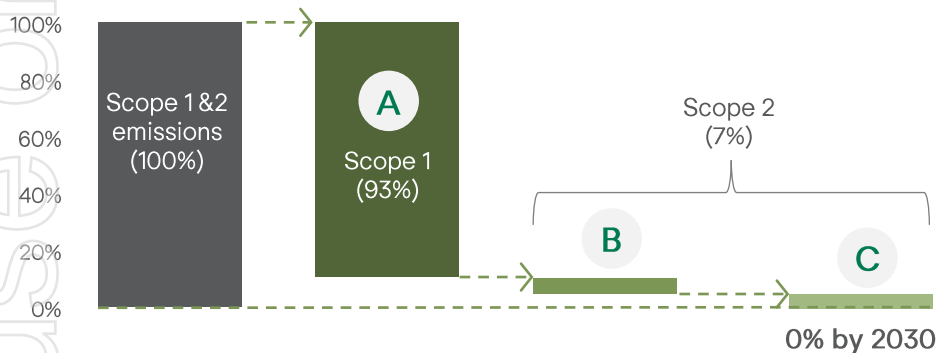
Timing on the development of land parcels in the north (Northern Lands and Jet Base) is contingent on the completion of Sydney Gateway. The completion of Sydney Gateway provides access to further airside land and enhanced accessibility to the airport precinct



Sustainability leadership

Sydney Airport continues to deliver on sustainability agenda

Transition plan to a Net Zero¹ future by 2030



A ~93% reduction through renewable electricity

Maximise renewable electricity purchased and used

B Use less diesel, electricity and gas

Improved building efficiency
Review gas-powered assets
Switch to low/no emissions fuels

C Use low/no emissions vehicles and equipment

Transition SYD car/bus fleet
Transition fuel powered equipment
Replacing/upgrading assets

Drive Scope 3 emissions reductions

Review/renew airfield equipment and vehicles

Reduce traffic congestion

Offer green electricity for airport tenants

Improve efficiency through Airport-Collaborative Decision Making

Facilitate and drive the use of Sustainable Aviation Fuel at SYD

Sustainability Linked Loan & Bond

Reached the ESG targets embedded in both Sustainability Linked facilities

Triggered improved pricing on these arrangements, realising cost of capital benefits through continuous improvement in sustainability

1. Sydney Airport's Net Zero target covers emissions under its operational control (Scope 1 & 2 emissions)

Outlook

Strongly positioned for the recovery

Strongly positioned to manage through current lock-downs

Prepared for strong recovery as vaccination rates increase

Ongoing discipline around operating and capital expenditure

Progressing commercial development opportunities

Elevating luxury retail precinct

Investing for resilience

The Boards remain open to engaging with Sydney Aviation Alliance should they be prepared to lift their offer



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Thank you



Appendix: Net operating receipts

\$ Millions	1H21	1H20
Loss before income tax expense ¹	(197.6)	(128.5)
Add back: depreciation and amortisation ¹	223.1	220.0
Profit before tax, depreciation and amortisation	25.5	91.5
Add/(subtract) non-cash expenses		
Capital indexed bonds capitalised ²	6.4	13.2
Amortisation of debt establishment costs ²	4.1	5.7
Borrowing costs capitalised ²	(2.4)	(4.3)
Change in fair value of swaps ²	70.6	(6.8)
Total non-cash financial expenses	78.7	7.8
Add/(subtract) other cash movements		
Movement in cash balance with restricted use ³	4.0	(0.1)
Other	(13.1)	(9.7)
Total other cash movements	(9.1)	(9.8)
Add back: Indemnity (income)/expense ¹	(13.5)	0.9
Add back: Sydney Gateway transaction ⁴	(4.7)	-
Add back: Amortisation on interest rate swap resets ⁵	(75.1)	-
Net operating receipts	1.8	90.4
Average stapled securities on issue (m)	2,698.7	2,259.5
Net operating receipts per stapled security (cents)	0.1	4.0
Distribution declared per stapled security (cents)	Nil	Nil

1. Taken from the Consolidated statements of comprehensive income in the Sydney Airport Interim Financial Report for the Half Year Ended 30 June 2021

2. Taken from note 6 in the Sydney Airport Interim Financial Report for the Half Year Ended 30 June 2021

3. Included in the SAL Group's consolidated deposit balance is \$7.8 million (31 December 2020: \$11.8 million) held by Sydney Airport Corporation Limited (SACL), which is restricted to fund capital expenditure

4. Represents interest income recognised for accounting purposes pursuant to the Sydney Gateway implementation deed

5. Represents straight line amortisation of the interest rate swap resets over the reset period recognised in the change in fair value of swaps