

Australia Pacific Airports (Melbourne) Pty Ltd

FACT SHEET

OCTOBER 2024



Issuer Outline

Australia Pacific Airports (Melbourne) Pty Ltd (APAM) operates the curfew free Melbourne Airport, currently the second largest commercial airport in Australia in terms of passenger traffic, serving the city of Melbourne (population 5.2M) and the State of Victoria (population 6.8M).

Sector:	Industrial
Sub-Sector:	Airport Development/Maintenance
Country:	Australia
Ownership:	Private

APAM operates the airport under a prepaid 50-year lease with a zero cost option to renew for a further 49 year term until 2096. Melbourne airport handles over 35M of passengers annually split ~70% domestic and ~30% international. It is located 22km north west of Melbourne's CBD. The airport is owned by a group of institutional investors - including Dexu (27%), IFM Investors (25%), Future fund (20%), SAS Trustee Corp (formerly known as NSW Treasury and State Super), and Utilities Trust of Australia (9%).

Key Financials (AUD m)

FY (30 Jun)	FY24	Change vs FY23	Recovery vs FY19 (pre-COVID)
Total Passengers (M)	35.1	up 14%	94%
- Domestic	24.1	up 7.1%	93%
- International	11.0	up 33.3%	96%
Revenue (AUD M)	1,192	up 17.7%	117%
EBITDA (AUD M)	821	up 21.4%	106%

	FY24	FY23
Net Debt	5.3B	5.2B
FFO/Debt (%)	10.5	9.3
Debt/EBITDA (x)	6.3	7.7
Cash Flow Cover Ratio (x)	2.7x	3.0
Capital Expenditure (AUD M)	731.0	473.0
Available liquidity (B)	2.0	1.8

*Source: FY24 results and 2024 AMTN Debt Investor presentation

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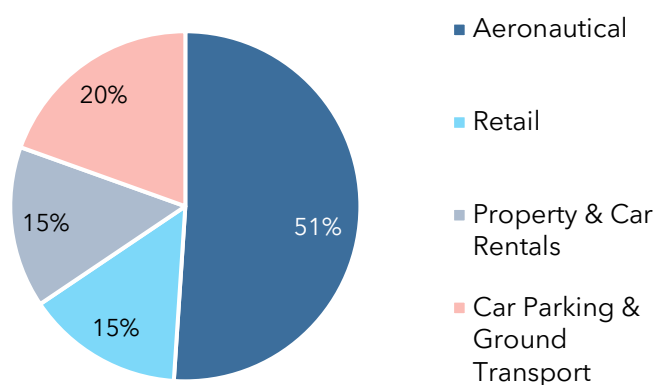
Issuer Credit Rating & Outlook

Agency	Rating	Outlook
S&P	BBB+	Stable
Moody's	Baa1	Stable
Fitch	NR	NR

Summary Bond Details

ISIN	Issue Amount	Ranking	Coupon	Coupon Frequency	First Call ¹	Maturity Date	Issue Rating (S&P/Moody's/Fitch)
AU3CB0240364	AUD200m	1st lien	3.750%	Semi-annual	4 January 2026	4 January 2026	BBB+ / - / -
AU3CB0233856	AUD120m	1st lien	4.550%	Semi-annual	11 November 2025	11 November 2025	BBB+ / Baa1 / -
AU3CB0284735	AUD700m	Secured	3.763%	Semi-annual	25 November 2031	25 November 2031	- / Baa1 / -

FY24 Revenue by segment



*Source: FY24 results

For more information call 1300 784 132 or email adviserservices@incomeam.com

IAM Credit View

We have a neutral view of Australia Pacific Airports (Melbourne) Pty Ltd (APAM)'s credit trajectory. Melbourne Airport has a long history of stable cashflows underpinned by its strong market position and has delivered one of the strongest post pandemic recoveries amongst Australian major airport peers. Total passenger traffic has made a 94% recovery as at FY24 compared to FY2019 pre-COVID levels and is on track for full recovery in the next 12 months. Strong financial performance together with lower costs has driven improvements to credit metrics and cash flow to more comfortable levels for the Baa1/BBB+ credit ratings. Balancing these positives are the execution risks associated with Melbourne Airport's major capital expenditure program under its Master plan, which includes the development of a third runway and the expansion of the international terminal. Management is guiding that these two projects could cost AUD6B between FY27 and FY31, on top of AUD1.7B of already committed capital works in FY25 and FY26. APAM is currently negotiating commercial agreements with its airline partners, and working with shareholders on the size and form of equity support to ensure the key minimum FFO/Debt level of 8% is maintained. We think constructive discussions so far with airline partners pointing to a favourable outcome on service agreements, good management track history on project delivery and strong support from shareholders will see APAM maintain a strong investment grade rating in the next few years.

Strengths

- Strong market position as one of two dominant airports in Australia, considered a gateway city for Australia with 28% share of all international passengers and 21% market share of all domestic passengers. Melbourne Airports serves the fastest growing population catchment, with Melbourne expected to be the largest city by 2032. Melbourne Airport faces limited competition from other transport modes, and the city's second airport Avalon Airport has weaker a location, transport connectivity and facilities.
- Melbourne Airport has a historically resilient passenger traffic growth base due to Australia's relative isolation and geographic location, with flying the only economical option. Australia's high level of migrant population and strong education (international students) and tourism sectors underpin demand. Demand outlook for more Melbourne Airport is a rise to 50 million passengers by the mid 2030s from 35 million passengers in FY24.
- Melbourne Airport operates in a supportive light-handed regulatory regime with the airports and airlines able to negotiate tariffs for airline's use which drive and ensure payback of any airport infrastructure enhancements. This results in high predictability in a large portion of the Melbourne Airport's cashflows. We see little risk of a move to a more heavily regulated system.
- Strong and long standing commitment to a minimum BBB/Baa2 credit rating, and indeed has maintained ratings at BBB+/Baa1 over the past four years (previously A3/A- since 2001). Board endorsed Treasury Policies that support this commitment include:
 - i) Paying distributions only if a minimum FFO/Debt of 8% is maintained; and
 - ii) Maintaining 2B of liquidity, as well as 6 to 12 months ahead of forward commitments (capex and refinancing).

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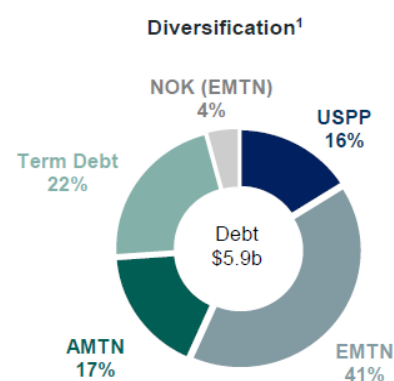
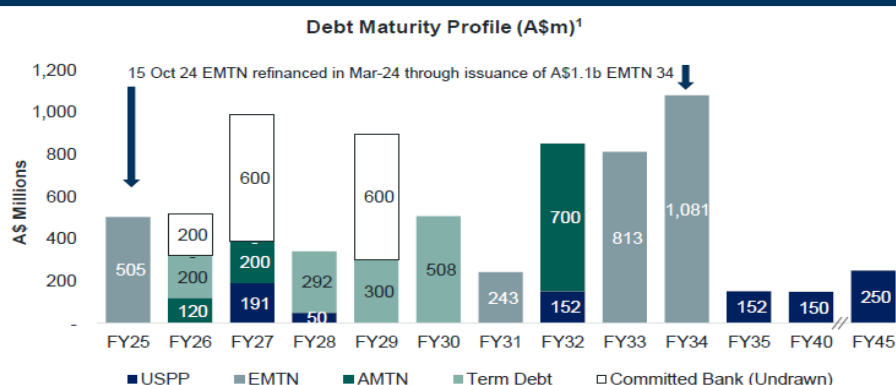
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Weaknesses

- Execution risks associated with its large and multi year capital investment pipeline which under current guidance is AUD7.7B over the next 7 years. Under the recently approved Master Plan, the Airport will embark on building a third runway and the expansion of the international terminal. These risks are mitigated by the management's strong track record of delivering projects on time and on budget. We would also expect APAM to manage development risks with appropriate contractual agreements with reputable contractors, and utilise levers to delay low priority projects if required.
- Credit metrics are expected to weaken because of the large capital investment program. Credit metrics are currently comfortable for the BBB+/Baa1 rating due to the strong recovery in passenger volumes, with full recovery expected in the next 12 months. Historically however, APAM has completely debt funded capital expenditure. In the next 2 years, committed capital expenditure is AUD1.5 to AUD1.7B, which should see FFO/Debt weaken to the 8.5% to 9.5% area. We understand management is currently negotiating with its shareholders and exploring a range of options to uphold its treasury policy of a minimum 8% FFO/Debt including equity injections, dividend stops and the issuance of hybrid bonds for the period beyond FY26.
- Exposed to external shocks such as pandemics, geopolitical tensions, terrorist attacks, and major global economic downturns - which shrink passenger and airline demand. That said we take comfort that underlying growth demand for travel has proven resilient, and long-term positive trends have remained intact. Furthermore, given the importance to the domestic economy, State and Federal governments have extended support to the sector in highly challenging periods.

Debt Maturity Profile & Funding Type



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Disclosure

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