

SYDNEY AIRPORT

FACT SHEET

SEPTEMBER 2024

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Issuer Outline

Sydney Airport is the largest commercial airport in Australia and the gateway to Australia's largest city.

Prior to COVID, the airport handled 44M passenger traffic annually split ~ 60% domestic and ~40% international. It is located 8km-10km from the Sydney CBD and major tourist attraction

serving a catchment population of 5.3M. The airport is owned and operated by a group of institutional investors - Sydney Airport Corporation Limited (SACL).

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

IAM Credit View

We have a positive recommendation on the Sydney Airport driven by our expectation of full recovery in passenger traffic in 2024. Sydney Airport's passenger numbers have recovered strongly post COVID impacted period, with total passenger traffic at 93% recovery as of the June quarter 2024. International passenger traffic recovery outpaced domestic recovery (96% vs 91%), driven by both new and existing international markets. This is important as international passenger revenues are multiple of domestic and typically comprise 70% of revenues despite being 38% of passenger volumes. Most of last year's international growth was achieved with the Chinese market closed, and the resumption of group tours from this important market provides a level of comfort of ongoing traffic recovery. With passenger traffic driving the business, we think that the balance sheet metrics will recover to pre-pandemic levels in the next 12 months. Sydney Airport's property

Issuer Credit Rating & Outlook

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

Key Financials (AUD m)^

YE (31 Dec)	FY23	Recovery vs FY19 (pre-COVID)
Total Passengers (M)	38.6	87%
- Domestic	22.1	87%
- International	14.5	86%
Revenue	1,490	98%
EBITDA	1,193	89%
	FY23	FY22
FFO/Debt (%)	9.8	6.1
Debt/EBITDA (x)	7.1	11.0
FFO / Interest cover (x)	3.1	2.7
Capex	420.0	307.0
Revenue by segment (FY)*	2023	2019
Aeronautical	52%	48%
Retail	19%	24%
Property & Car Rentals	18%	18%
Car Parking & Ground Transport	11%	11%

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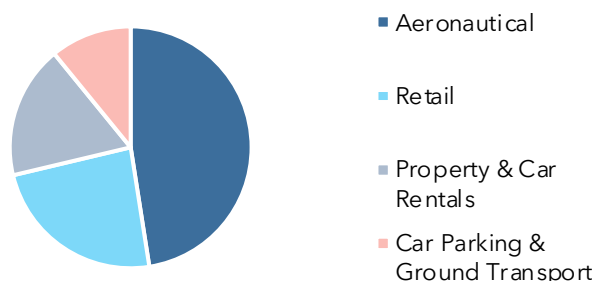
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business has also been performing strongly providing revenue diversification. Sydney Airport unlike its closest airport peers Melbourne Airport and Auckland International has relatively modest capital investment under the Master Plan, with transformational projects already complete. Together with supportive shareholders and a long standing commitment to maintain a minimum BBB/Baa2 investment grade credit, we are constructive on the Airport's credit trajectory.

From a relative value standpoint, we believe senior secured spreads should continue to be well supported and tighten further. We favour Sydney Airport over its closest peer Melbourne Airport as it has a smaller capital investment program and lower downgrade risk. Investors who are concerned about inflation risks may consider the Sydney Airport CIB 3.12% 2030 (ISIN: AU3AB0000085).

[^]Sydney Airport Annual Report & Moody's
^{*}Sydney Airport Annual Report

Revenue by segment



Company Background

Sydney Airport is the largest commercial airport in Australia, with three runways and is a major gateway to Australia. Prior to COVID, the airport handled 44M passenger traffic annually split ~ 60% domestic and ~40% international. It is located 8km-10km from the Sydney CBD and major tourist attractions. It operates under a 99 year lease agreement expiring 2048 with a zero cost option to renew for a further 49 years. In 2022 the airport was acquired by a group of institutional investors, Sydney Airport Corporation Limited (SACL), led by IFM Investors who also have stakes in other major airports in Australia.

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Strengths

- Sydney Airport is one of two dominant airports in Australia, considered a gateway city for tourists and currently the largest population catchment in Australia.
- Sydney 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.
- Sydney 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 Sydney Airport's cashflows. We see little risk of a move to a more heavily regulated system.
- Strong and long standing commitment to a strong BBB/Baa2 credit rating. This commitment was most recently evidenced through the issuance of equity to support the balance sheet during COVID. Sydney Airport's new owners are also supportive of maintaining financial policies and credit ratings. Downgrade risks from Moody's and S&P are low, given recent stabilisations of outlooks from Negative and the absence of transformational capital projects.

Risks

- 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 with passenger traffic recovering 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.
- Sydney Airport's market position may potentially weaken over time with the opening of the new 24-hour Western Sydney International Airport (WSIA) which is scheduled for completion by 2026. However, Sydney Airport continues to hold significant advantages over WSIA given its superior location near the Sydney CBD and strong transport connectivity. In the early years of operation, WSIA's scale and service offerings will be limited. As such we expect that Sydney Airport will maintain a high share of premium traffic and its incumbent gateway status.
- Credit metrics remain weaker than where they should be for the BBB+/Baa1 rating, but with passenger volumes on track for a full recovery and capital spending returning to the historical 200M-400Mpa range this should move back to more comfortable levels in the next 12-18 months including FFO/Debt >10%.

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Summary Bond Details

ISIN	Issue Amount	Ranking	Coupon	Coupon Frequency	First Call Date	Maturity Date	Issue Rating (S&P/Moody's/Fitch)
AU3AB0000085	AUD300m	1st lien	3.120%	Quarterly	20 November 2030	20 November 2030	BBB+ / Baa1 / WD
AU3CB0308864	AUD850m	Secured	5.900%	Semi-annual	19 January 2034	19 April 2034	BBB+ / Baa1 / -

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