

Airport Financing – an investor perspective

PECC International Roundtable
Robert Scott, Singapore, 5 September 2003

Deutsche Bank 

Overview



Who are the investors in airports?



Who are the debt providers to airports?



Leverage versus valuation



Factors influencing airport finance



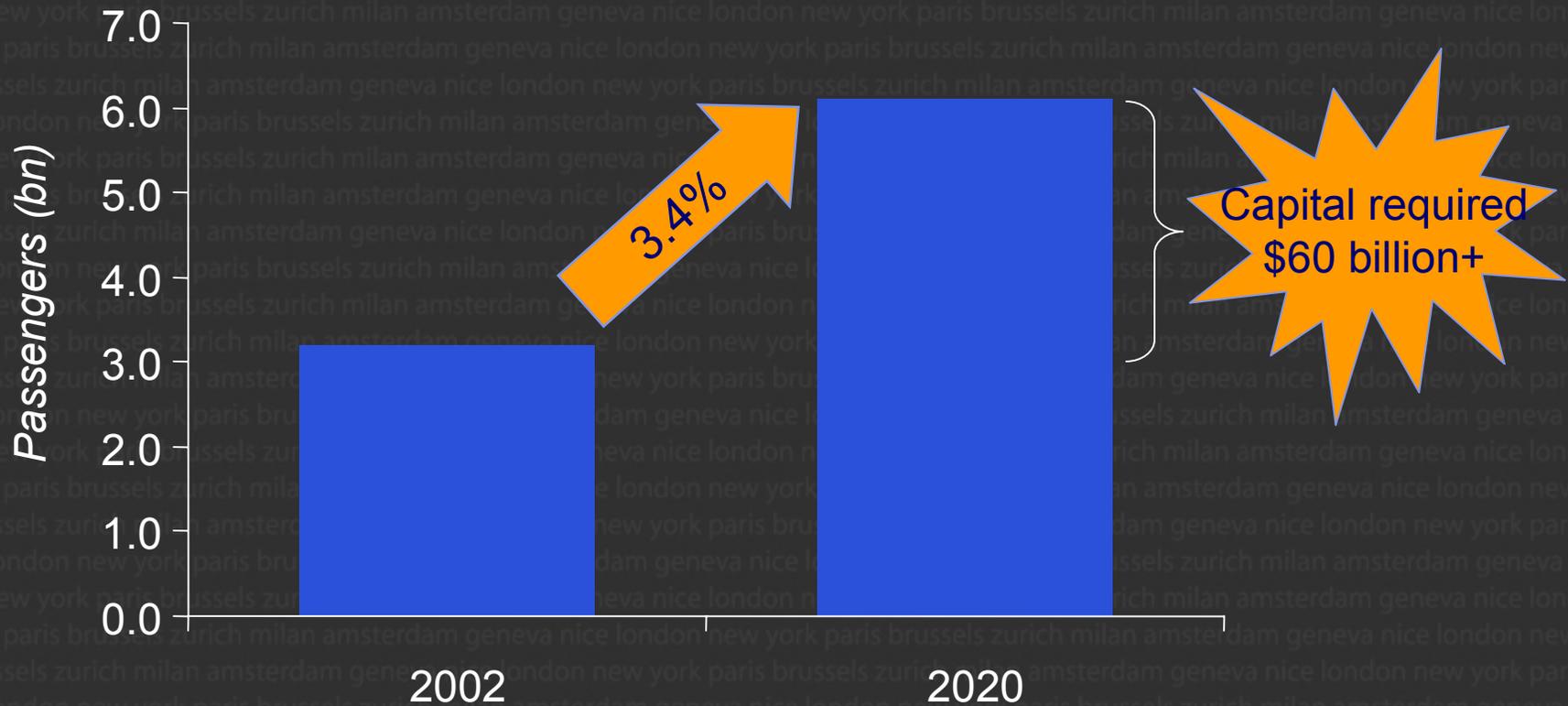
Airport capital structures



Active capital management



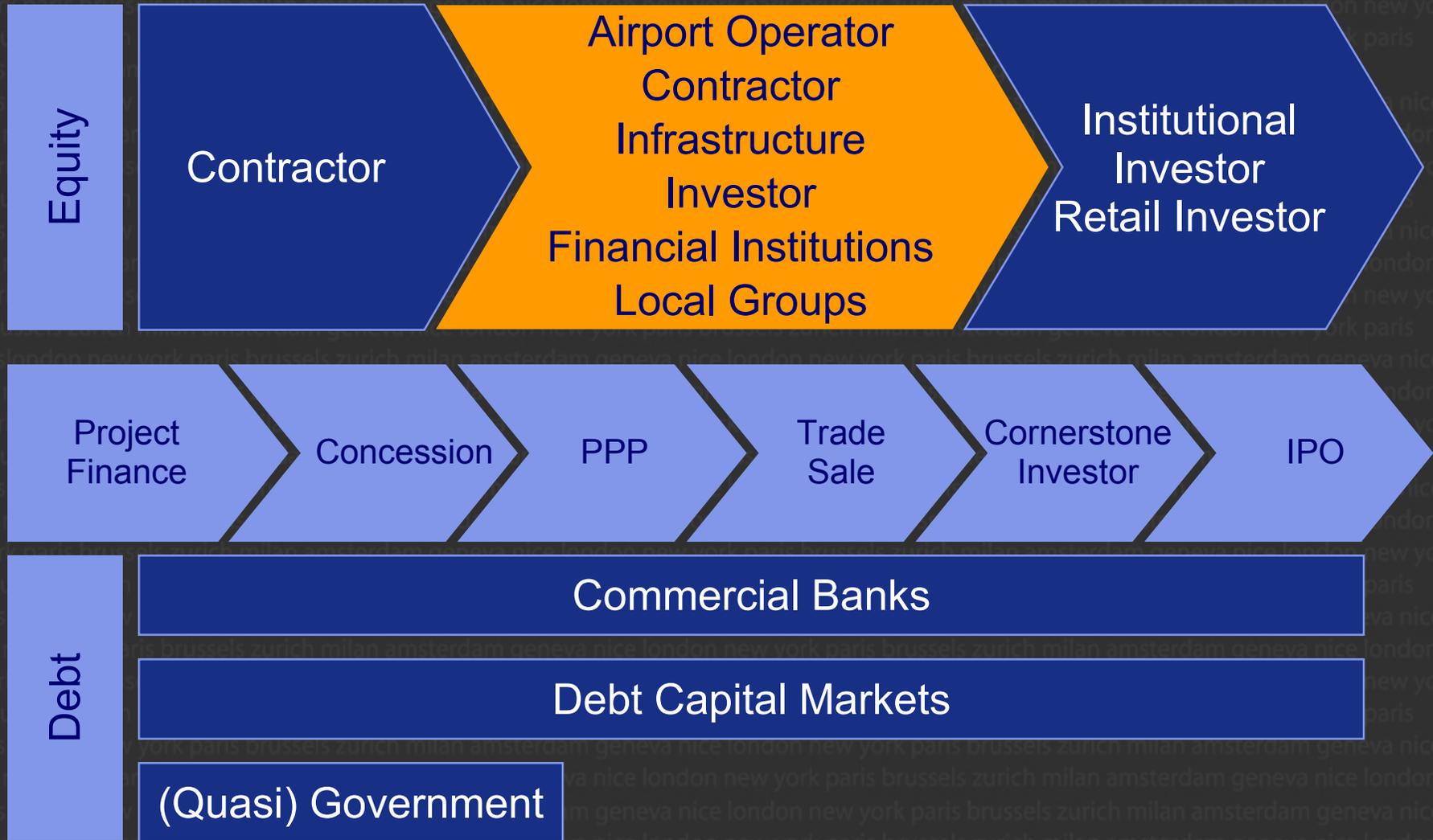
World passenger growth forecasts



Source: Airports Council International

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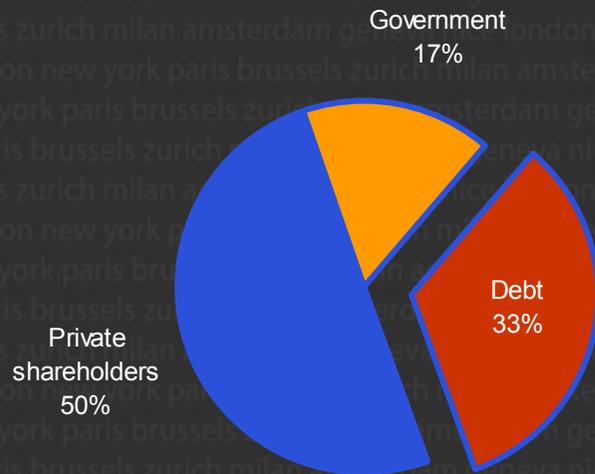
The investment continuum



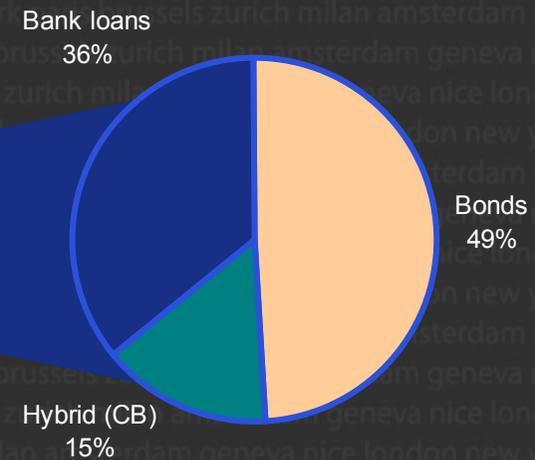
Sources of funding

Listed airports

Total value: US\$23.3bn



Total value: US\$7.7bn

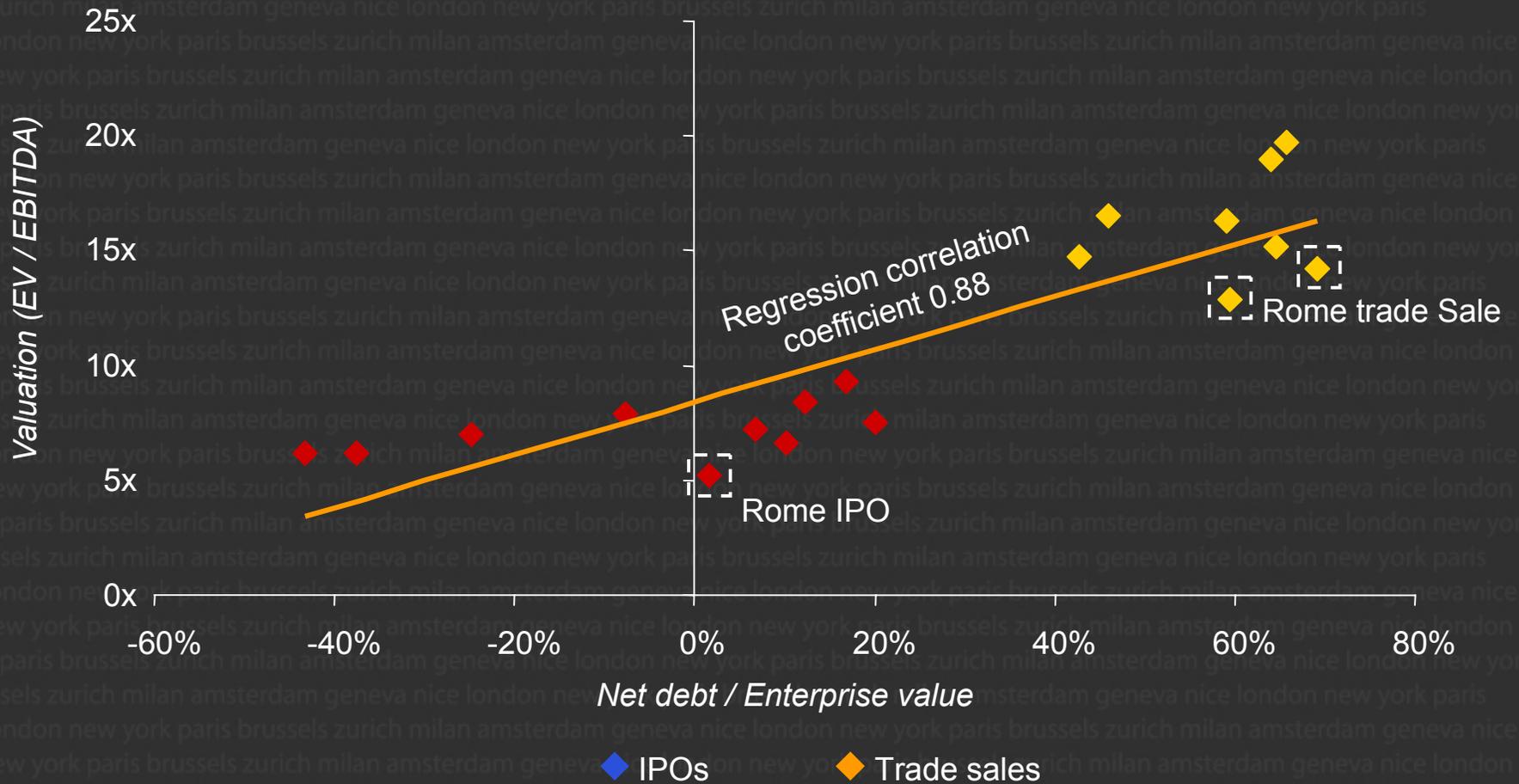


Source: Annual Reports 2002, Bloomberg

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Gearing versus valuation – IPOs and trade sales



Source: Deutsche Bank estimates

Expectations – debt providers

- ✓ Asset backed
- ✓ High margins
- ✓ Monopoly characteristics
- ✓ Earnings visibility
- ✓ Cash generative (post construction)



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V_U

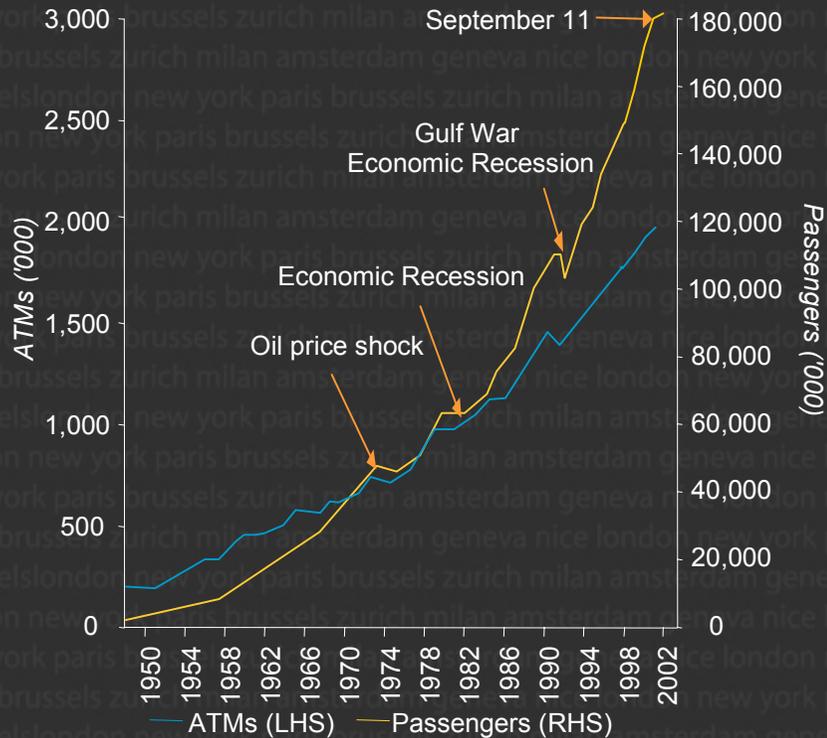
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Resilience to external shocks, however . . .

UK airports



AAHK



Changi



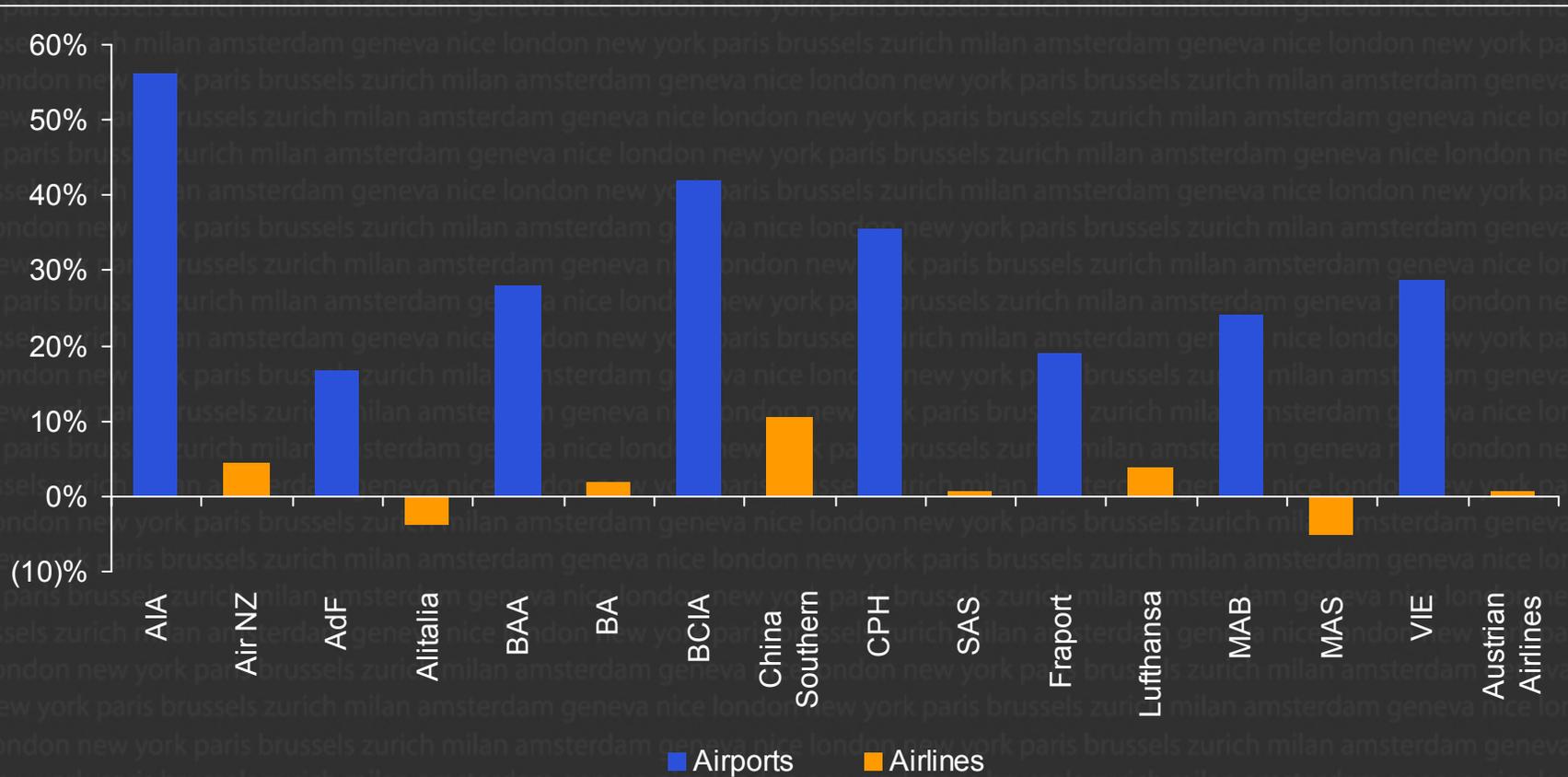
Source: CAA (UK), CAAS, AAHK

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Operating margin comparison

4 year average EBIT margin (1999 – 2002)



Source: Annual Reports, Bloomberg

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Factors influencing airport finance

Ownership structure

- Government ownership / involvement
- Private versus listed structure

Size / Market Capacity

- Multiple sources of funding
- Rating / monoline insurers

Regulation

- Transparency and nature of economic regulation
- Approach to capex
- Political interference / stability

Capex / Development plans

- Extent and cost of development required
- Commitments and potential to defer
- Regulatory impact

Revenue diversification

- Diversity of commercial and aeronautical activities
- Financial strength of key (airline) customers



Listed airports – capital structure

Capital structure of major airports

Airport	S&P rating	Market cap (US\$m)	Cash balances (US\$m)	EV / EBITDA** (x)	Book gearing* (%)	EBITDA interest cover (x)
Listed						
Auckland	A+	1,128.2	3.9	14.8x	32.3%	8.1x
BAA	A+	8,011.9	1,844.7	8.3x	40.1%	5.0x
BCIA	n/a	1,134.1	213.5	6.9x	17.7%	11.3x
Copenhagen	A	763.4	7.2	7.6x	56.2%	5.9x
Fraport	n/a	2,327.8	657.4	4.3x	33.4%	10.4x
Hainan	n/a	309.4	85.1	10.5x	18.9%	11.0x
Malaysia	n/a	492.1	48.1	6.1x	4.1%	n/m
Zurich	BBB	133.0	14.2	9.2x	68.6%	4.2x
Vienna	n/a	786.2	156.4	4.0x	0.5%	n/m
Average				8.0x	30.2%	8.0x
Unlisted[#]						
Changi	n/a	n/a	667.0	n/a	0.0%	n/a
Hong Kong	A+	n/a	216.5	n/a	17.4%	12.1x
Sydney	BBB-	n/a	303.7	n/a	68.3% ^{##}	n/a
Melbourne	A-	n/a	0.75	n/a	81.4% [#]	2.1x
Average				n/a	55.7%	7.1x

Note:

* Book gearing = Total book debt / (Total book debt + shareholders' equity)

** Last reported EBITDA

Gearing excludes shareholder loans

Gearing following acquisition by the Southern Cross Airport Corp.

Source: Bloomberg (17 August 2003), company financials, DB estimates

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Airport credit ratings



Active capital management

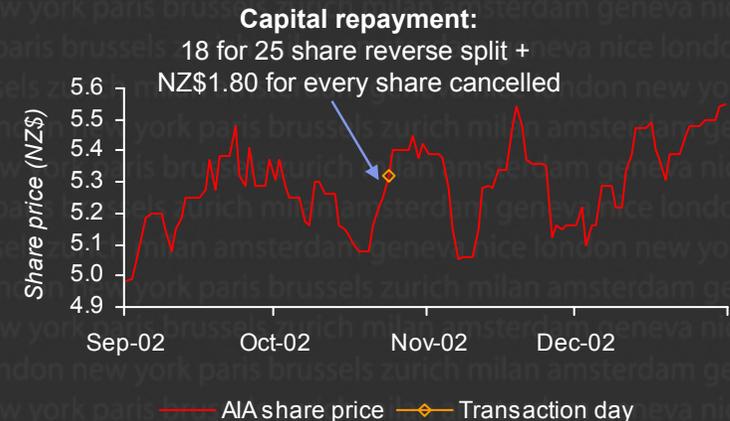
Recent transactions

	<p>BAA</p> <p>£425m convertible bonds</p>
	<p>Schiphol</p> <p>€300 million EMTN notes</p>
	<p>Perth</p> <p>A\$45 million convertible bond offering</p>
	<p>AAHK</p> <p>Expected to issue first US\$ bond</p>

BAA



Auckland International Airport



Deutsche Bank

