

The engine room of the region

April 4 2014

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Wellington Airport today



Key deliverables FY14



Forecast EBITDA 4% increase on last year



Country Road Witchery



\$75m retail bonds and \$50m wholesale bonds



Noise mitigation programme to be rolled out



Strategic decision to re-price



Spruce Goose café



Runway extension momentum



Carpark precinct complete with yield management



Audits passed and recertified for five years



Gold award winners in Safety and finalists in Green



New fire trucks

New growth platforms



5.4m passengers

2-4% passenger growth

Capacity constraints in terminal and carpark

Undeveloped land - Tirangi

Relationship with main customer

New pricing

2014 - Today's Platform

Extend trans-Tasman network

Terminal extensions

Retail opportunities

Multi-level carpark

Hotel

Property Development

Runway extension consent

Manage regulation

2015 - New Growth Platforms



6.3m passengers

Faster pax growth

Runway extension

Long haul flights

New retail & transport revenue

Scaled up property returns; hotel, retail park.

2020 - Next Level

Aeronautical pricing

Reset for next five years



Information disclosure regulation



The Commission's high level findings:

- ✓ Transparent
- ✓ Innovating appropriately
- ✓ Providing quality services
- ✓ Improved and efficient price structure
- Too early to tell if investment is appropriate
- Too early to tell if efficiencies are being shared with customers

However:

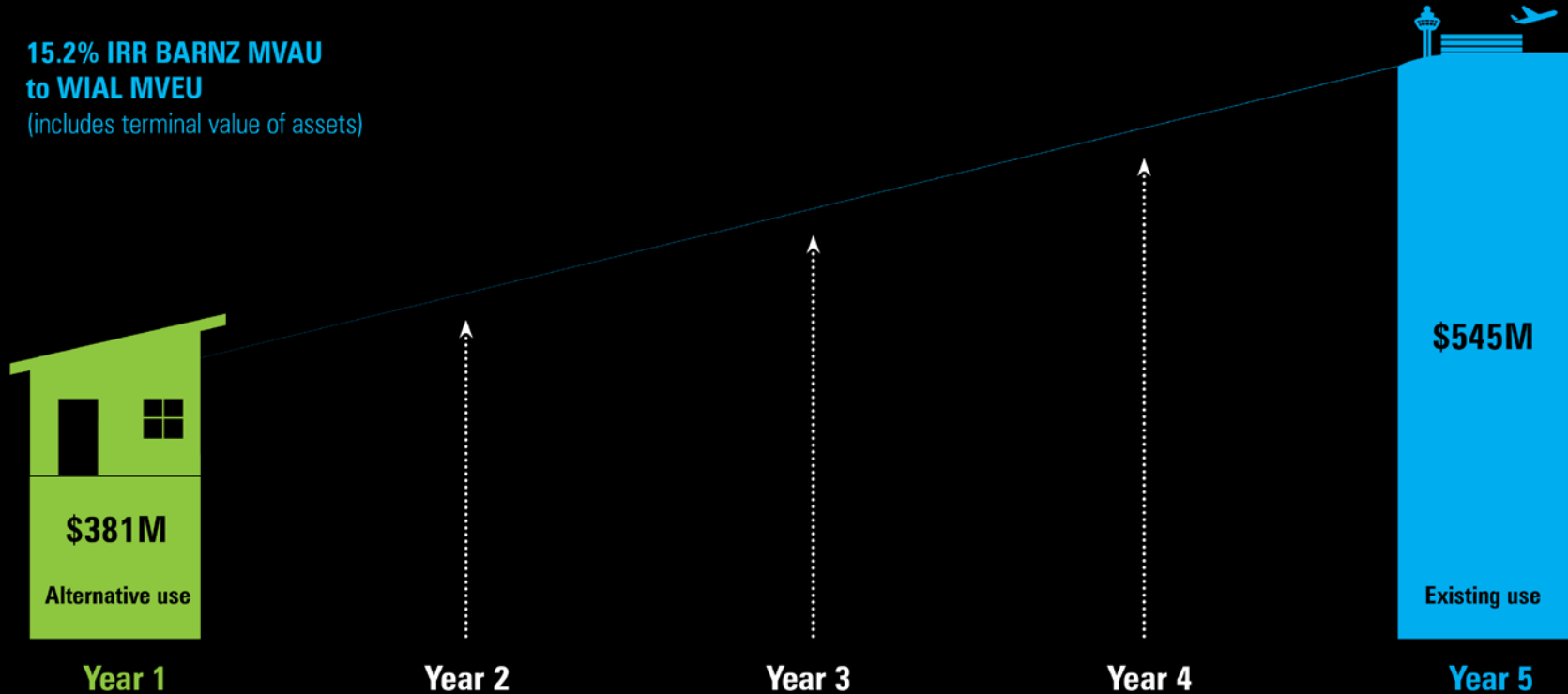
- ✗ Not been effective in limiting WIAL's ability to extract excessive profits

Our actual earnings are under the regulatory benchmark

Land value - alternative to existing

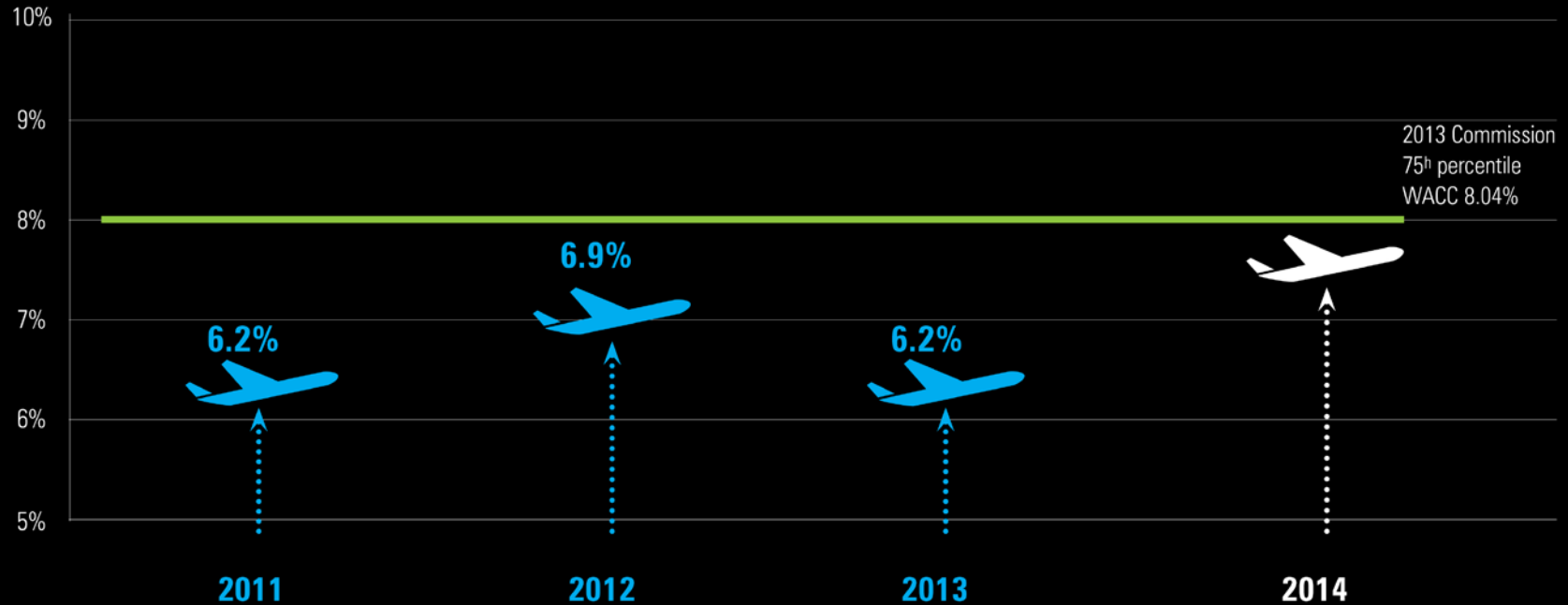


**15.2% IRR BARNZ MVAU
to WIAL MVEU**
(includes terminal value of assets)



* Targeted 8.9% using Commission's methodology

Actual returns on aeronautical assets



Returns include CPI revaluations

Why reprice?



Proposed pricing inputs - all IM consistent



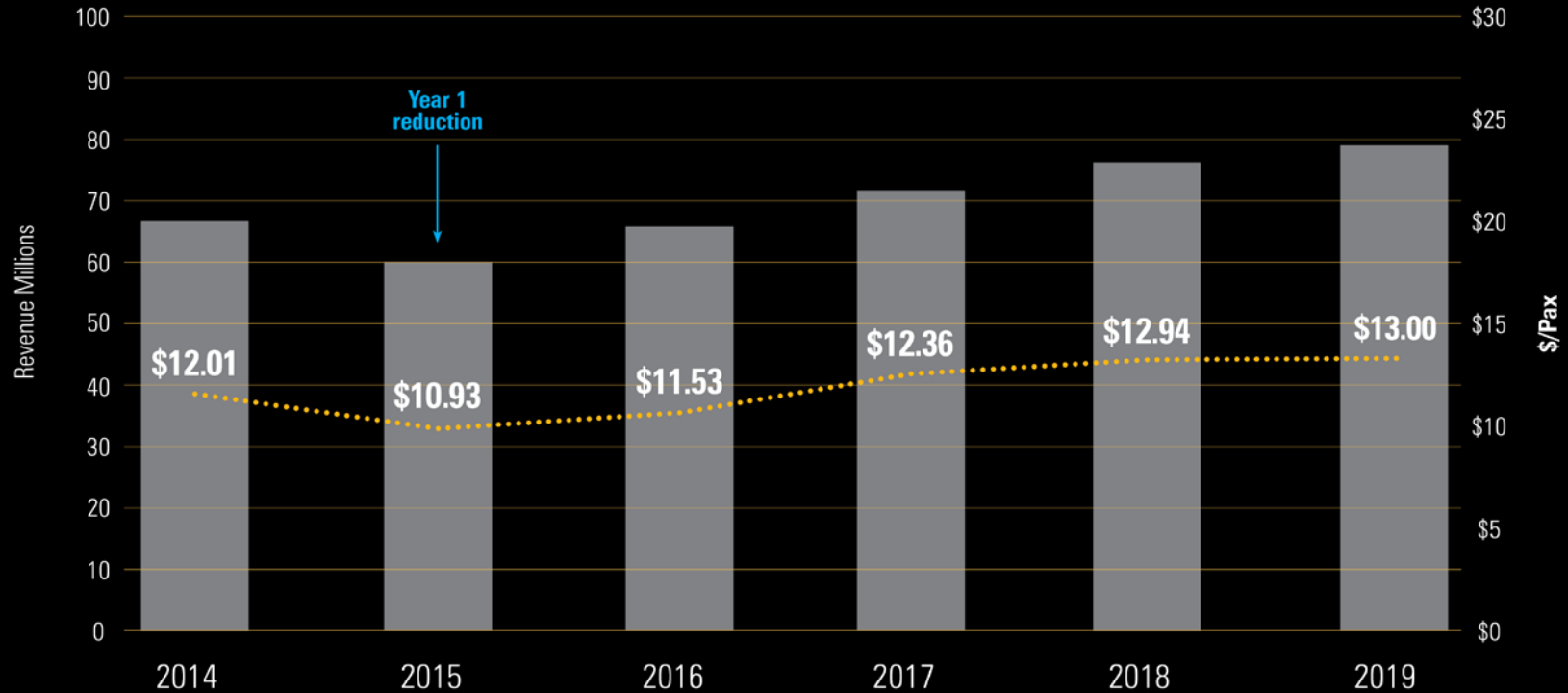
Inputs	Approach	Value
Land Valuation	MVAU	\$99 million
Specialised Assets Valuation	ODRC 2009 roll forward	\$260 million
New Investment	Cost	\$110 million
WACC	75th IM	8.41%
Revaluation Forecast	Forecast CPI	CPI
Operating Costs	Forecast	\$ 18 million pa
Passengers & Traffic	Forecast	2.7% pax growth pa
Depreciation	Accounting Depreciation	\$ 15 million pa
Taxation	Tax Payable	\$ 12 million pa

Pricing inputs - all IM consistent



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Pricing outcomes - revenue and average price per pax



NPV = \$0 for each pricing period
including forecast revaluations

Next steps - new prices from 1 June 2014



March

12

IPP sent to airline
customers

April

11

Feedback on Initial
Pricing Proposal

June

1

New pricing
subject to ongoing
consultation

\$250m Capital investment

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\$250m Capital investment



Multi level car park ~ \$70m

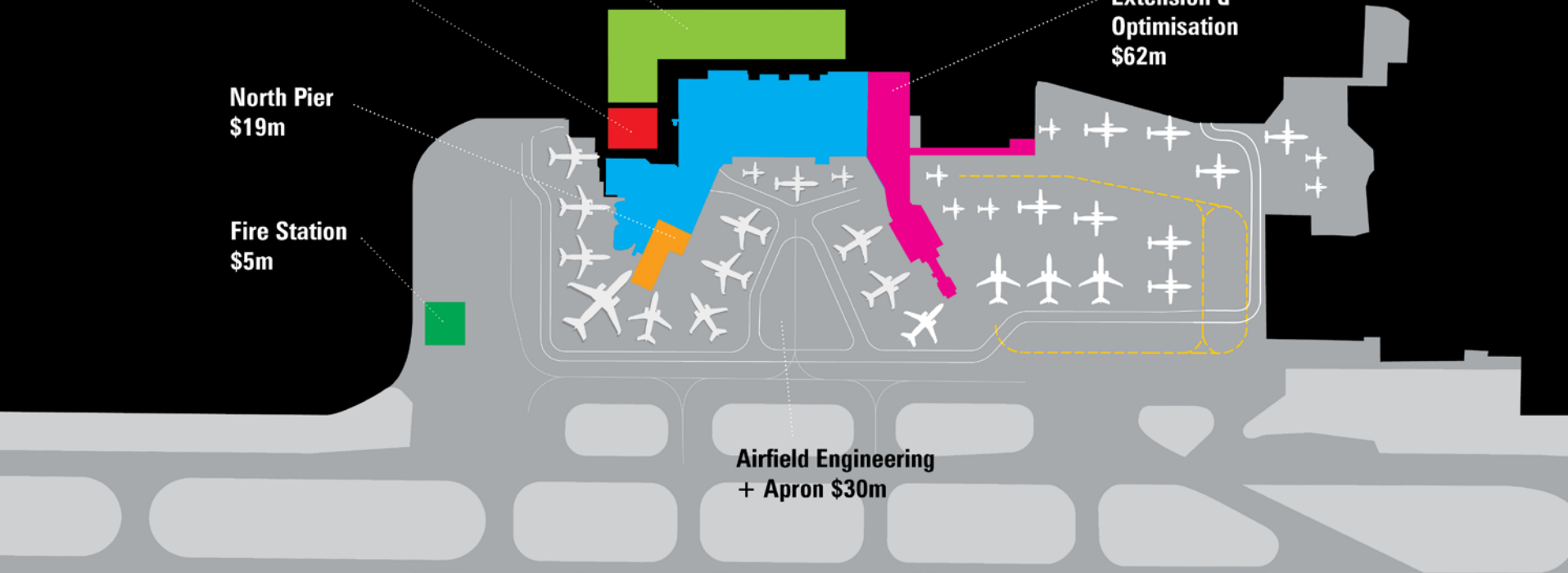
Hotel ~ \$26m

North Pier
\$19m

Fire Station
\$5m

Terminal
Extension &
Optimisation
\$62m

Airfield Engineering
+ Apron \$30m



Multi level car parking



At ground

- Limited ground space available
- Open air parking
- Distance from terminal
- Lower investment than multi-level



Multi-level

- Best utilisation of limited land resource
- High build cost ~\$40,000 per car park
- Got to go down to go up, extensive disruption
- Gives a covered product close to the terminal

Hotel



Terminal expansion - 35m to south




Retail growth



Income per passenger



 **43%**
increase in income per
passenger by 2021

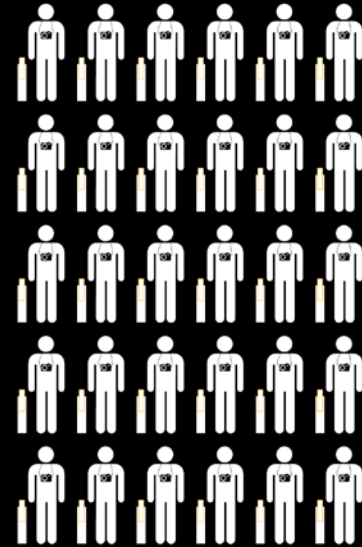
Aeronautical growth opportunities



Asia growth story



3228m



525m

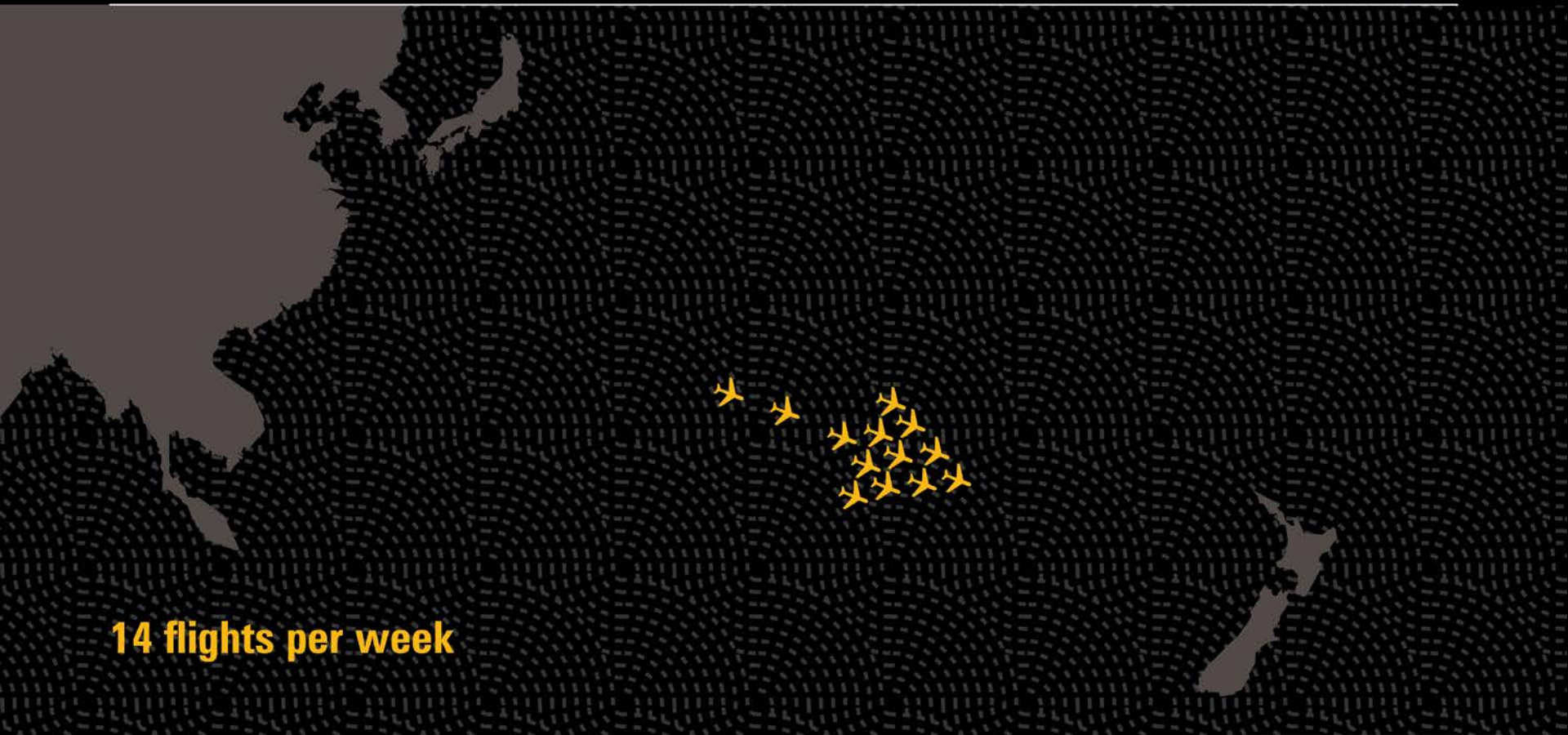


2010

9.5% CAGR

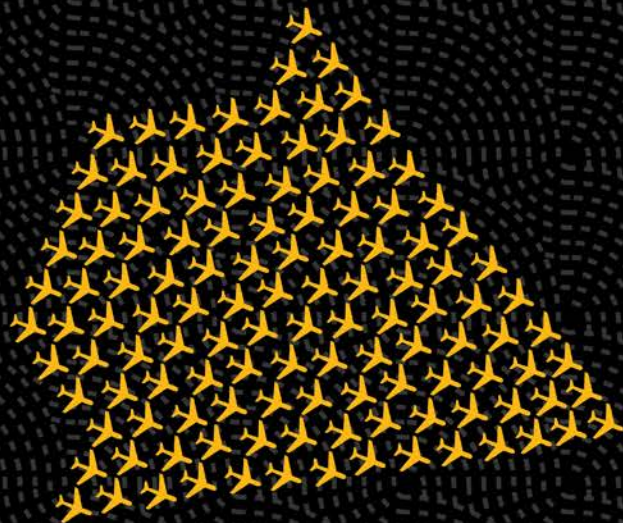
2030

Asia growth story



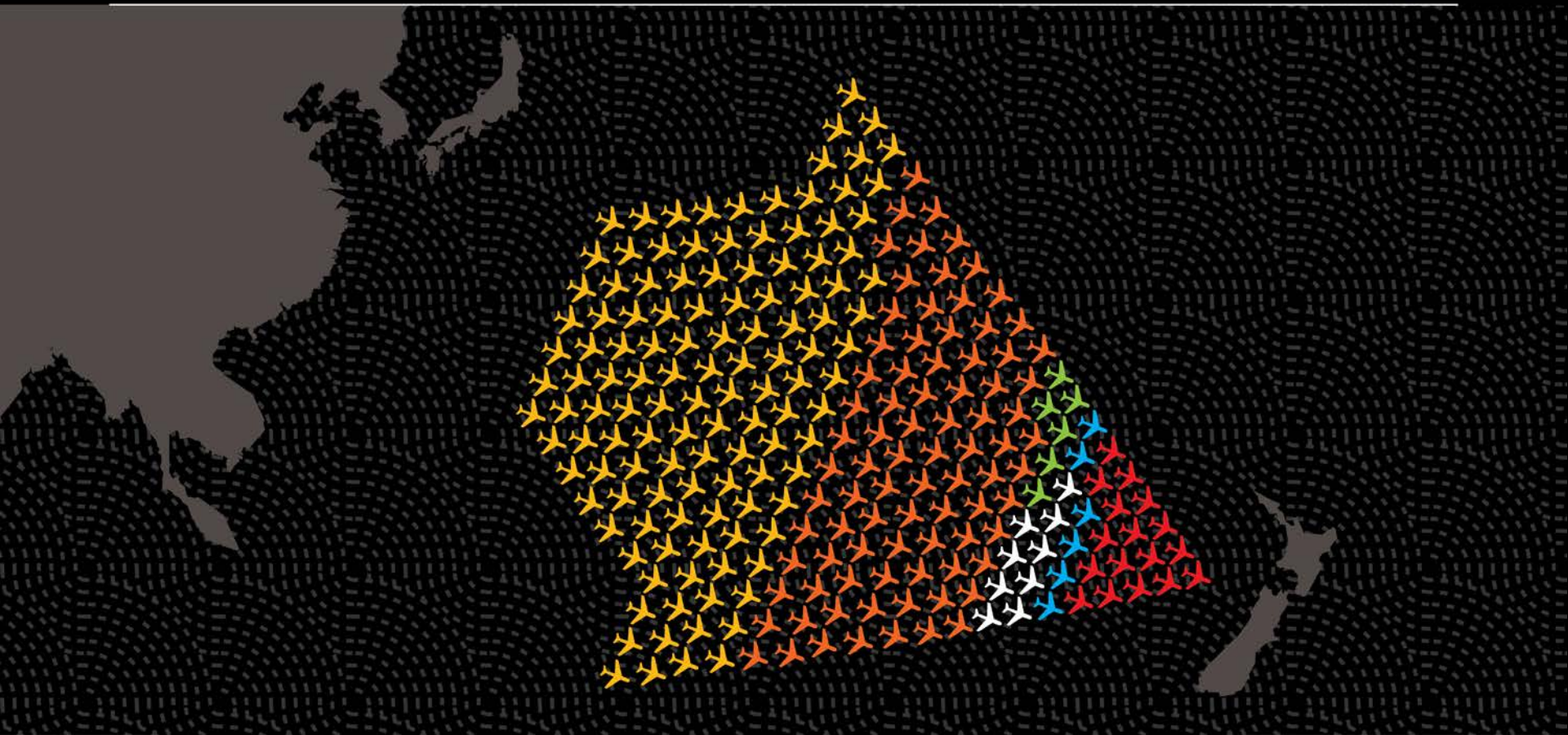
14 flights per week

Asia growth story

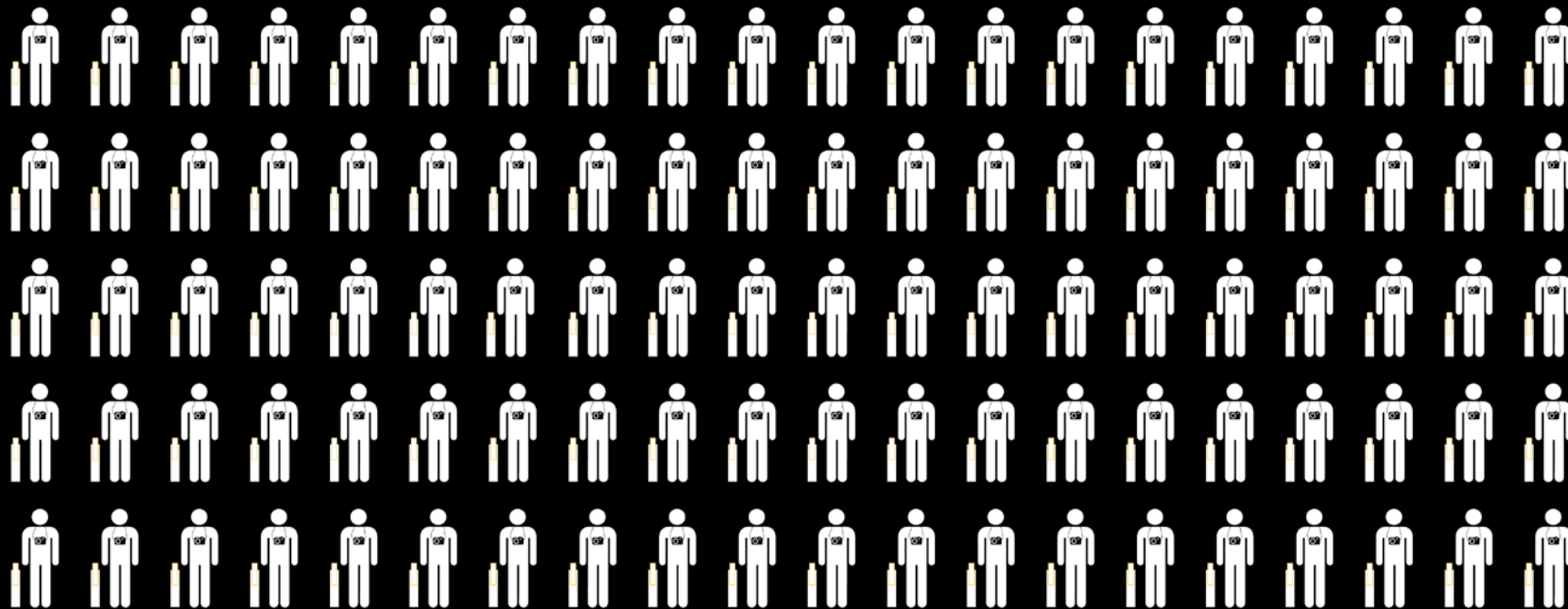


80 flights per week

Asia growth story



NZ's Asia visitor spend 2012



NZ's Asia visitor spend 2012



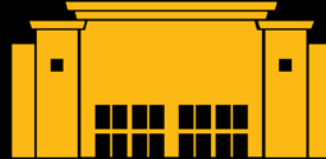
Increase capture rate – new investment



Film Museum



Marine centre

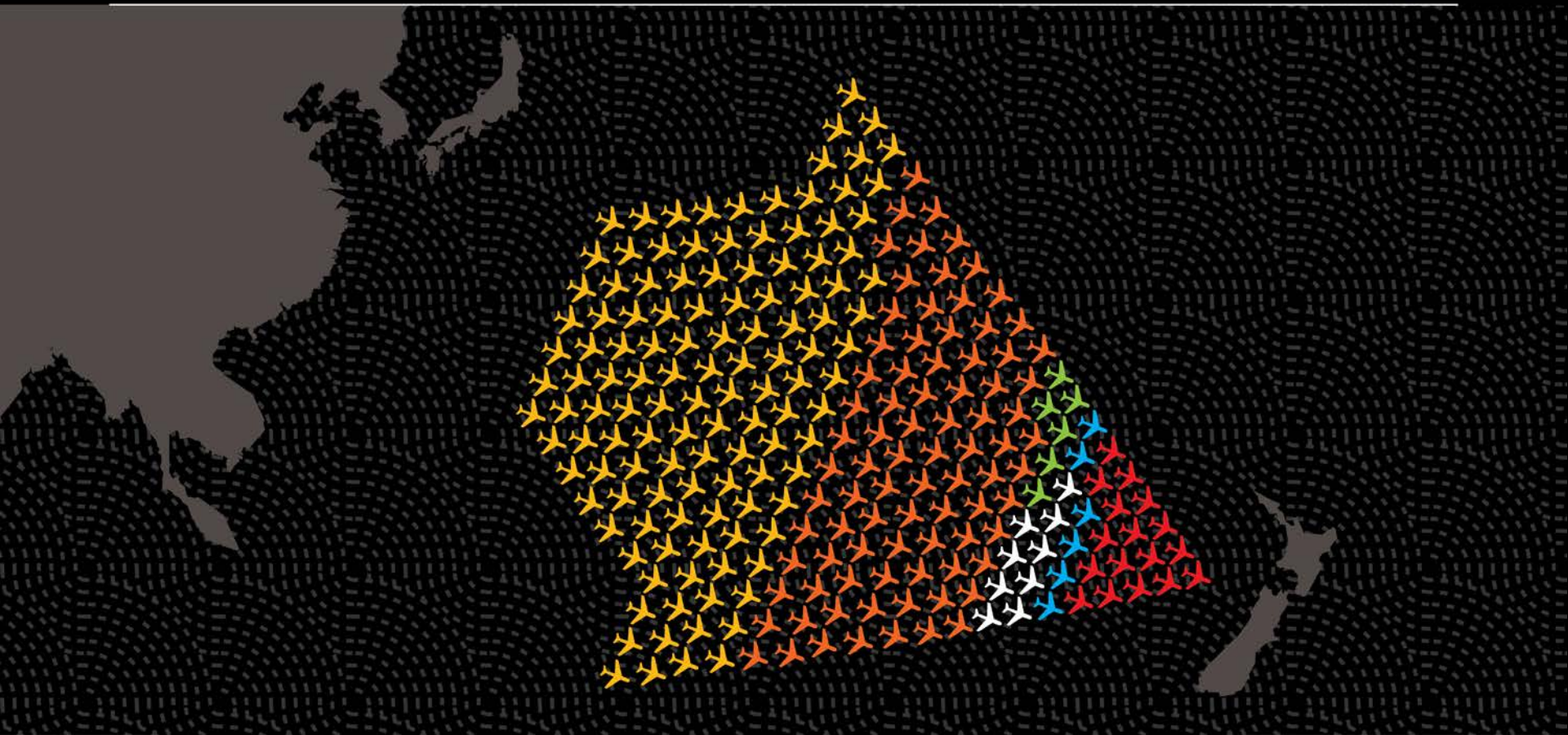


Conference centre



Concert venue

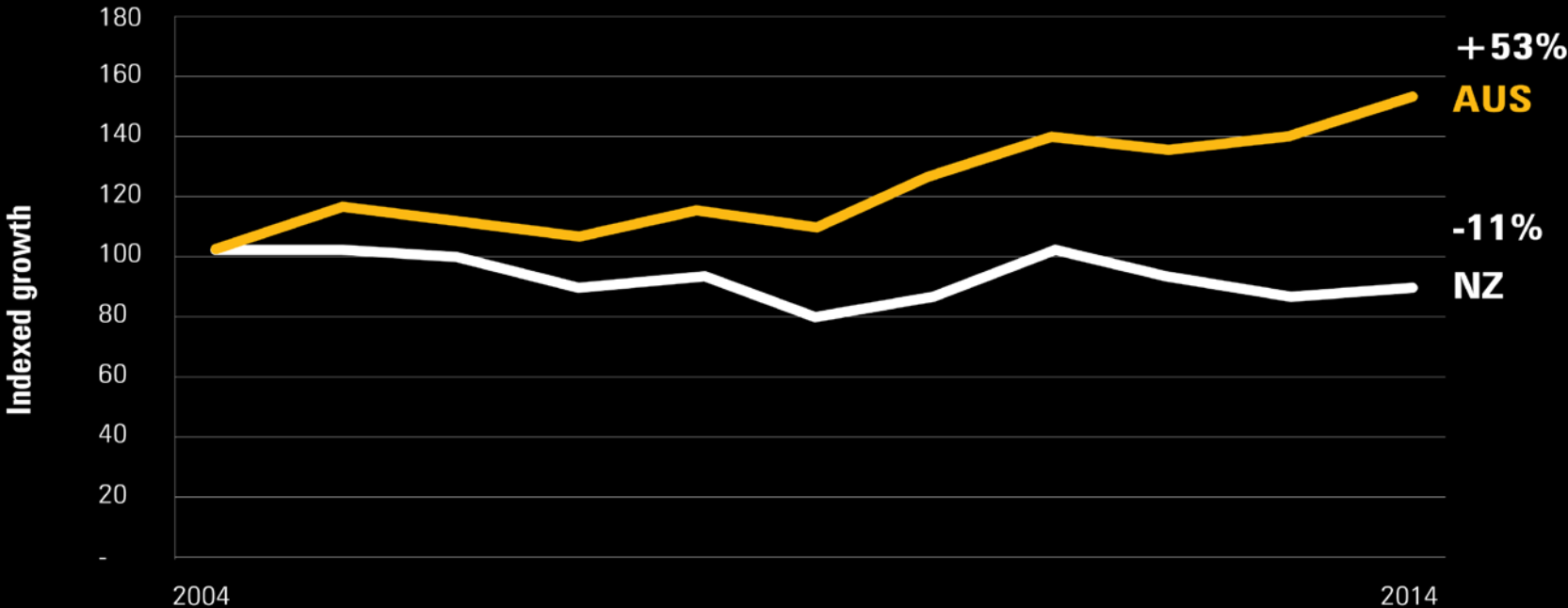
Huge opportunity – how do we access it?



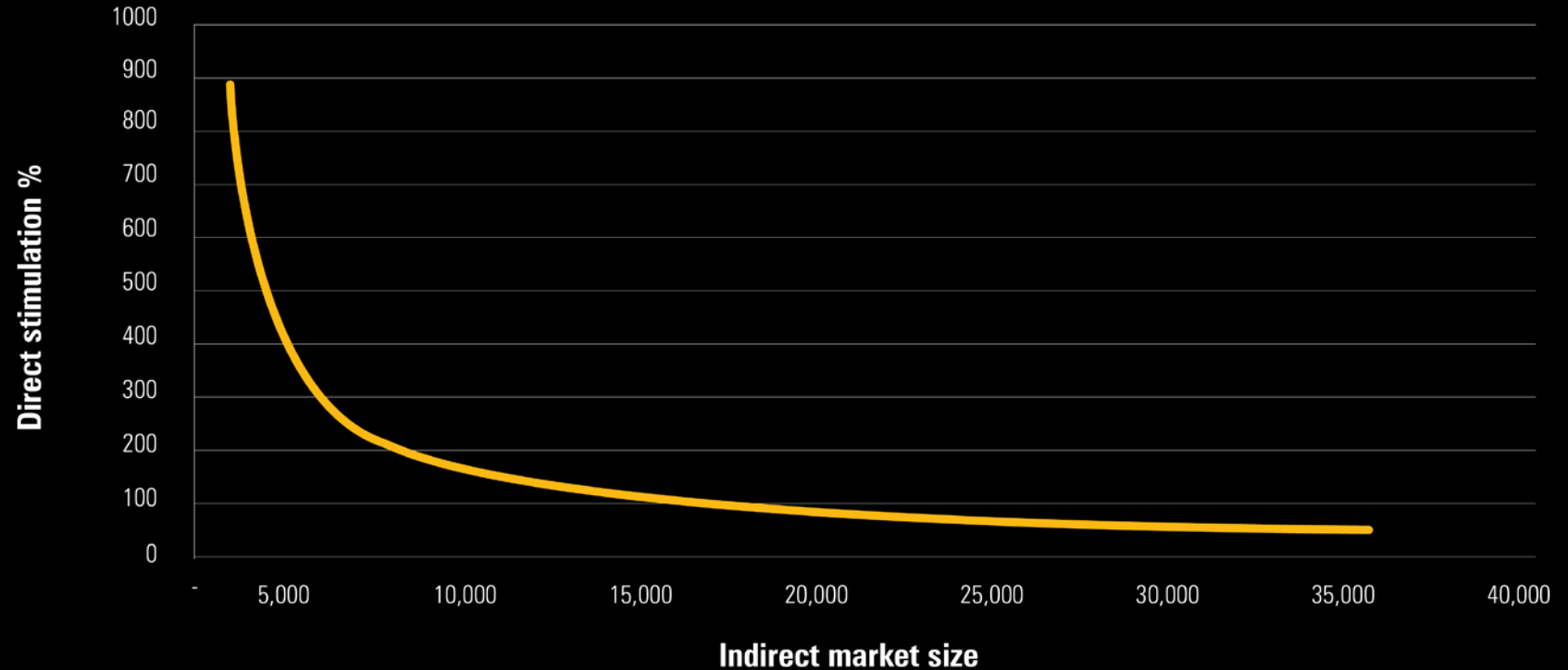
Short term opportunities



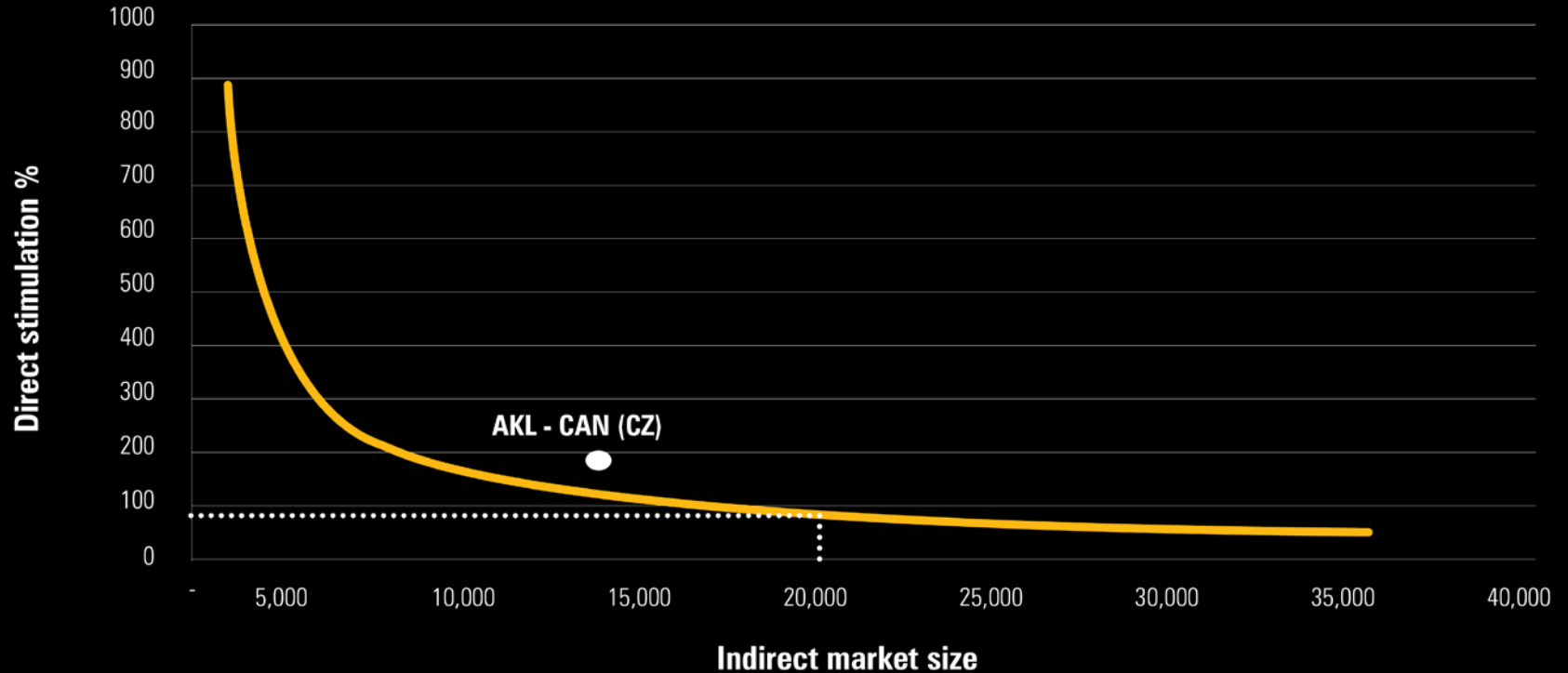
Asia capacity growth



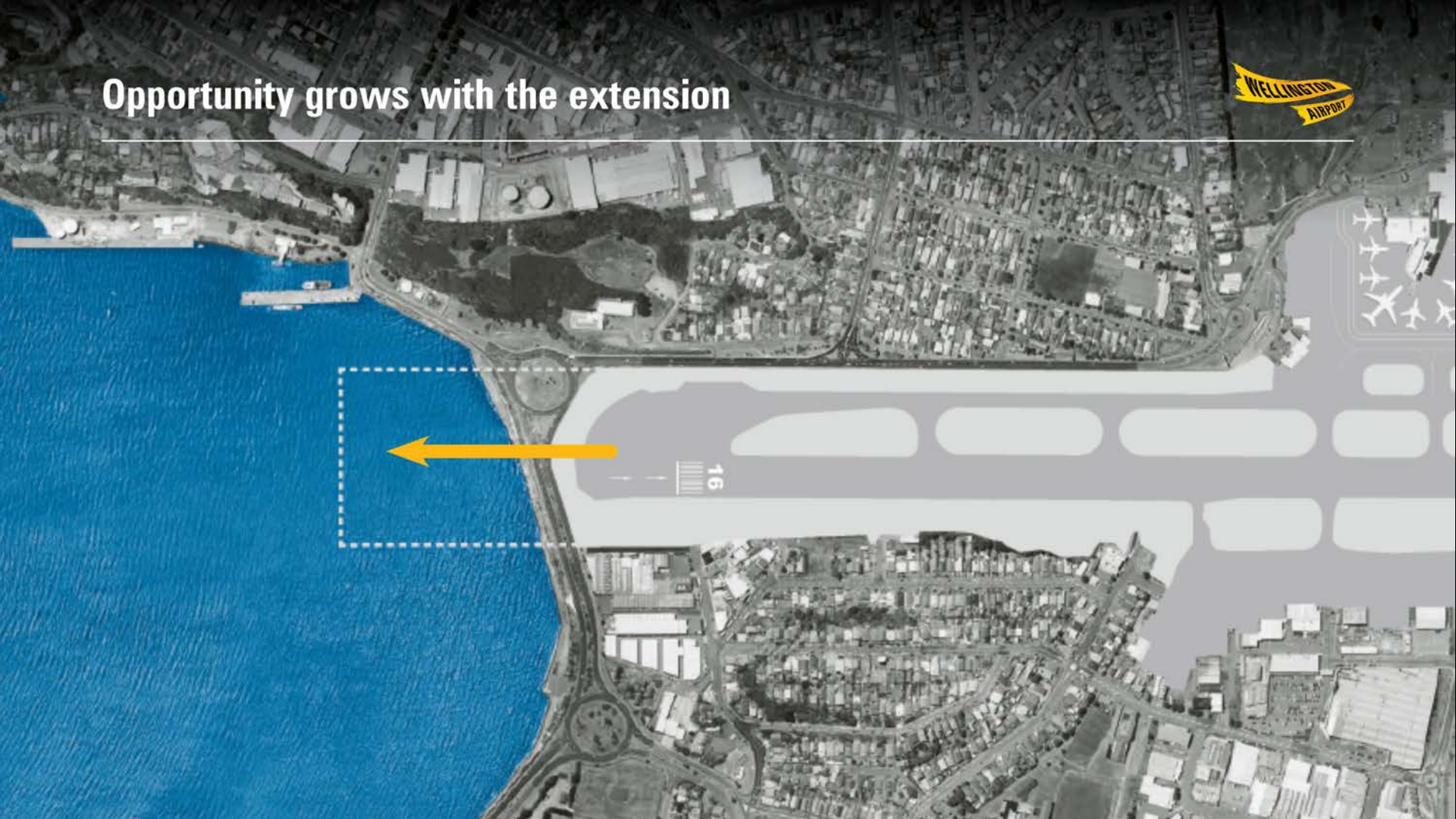
Direct service stimulation



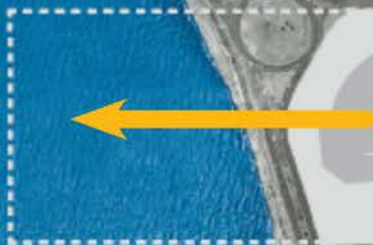
Direct service market stimulation for NZ routes



Opportunity grows with the extension



Opportunity grows with the extension



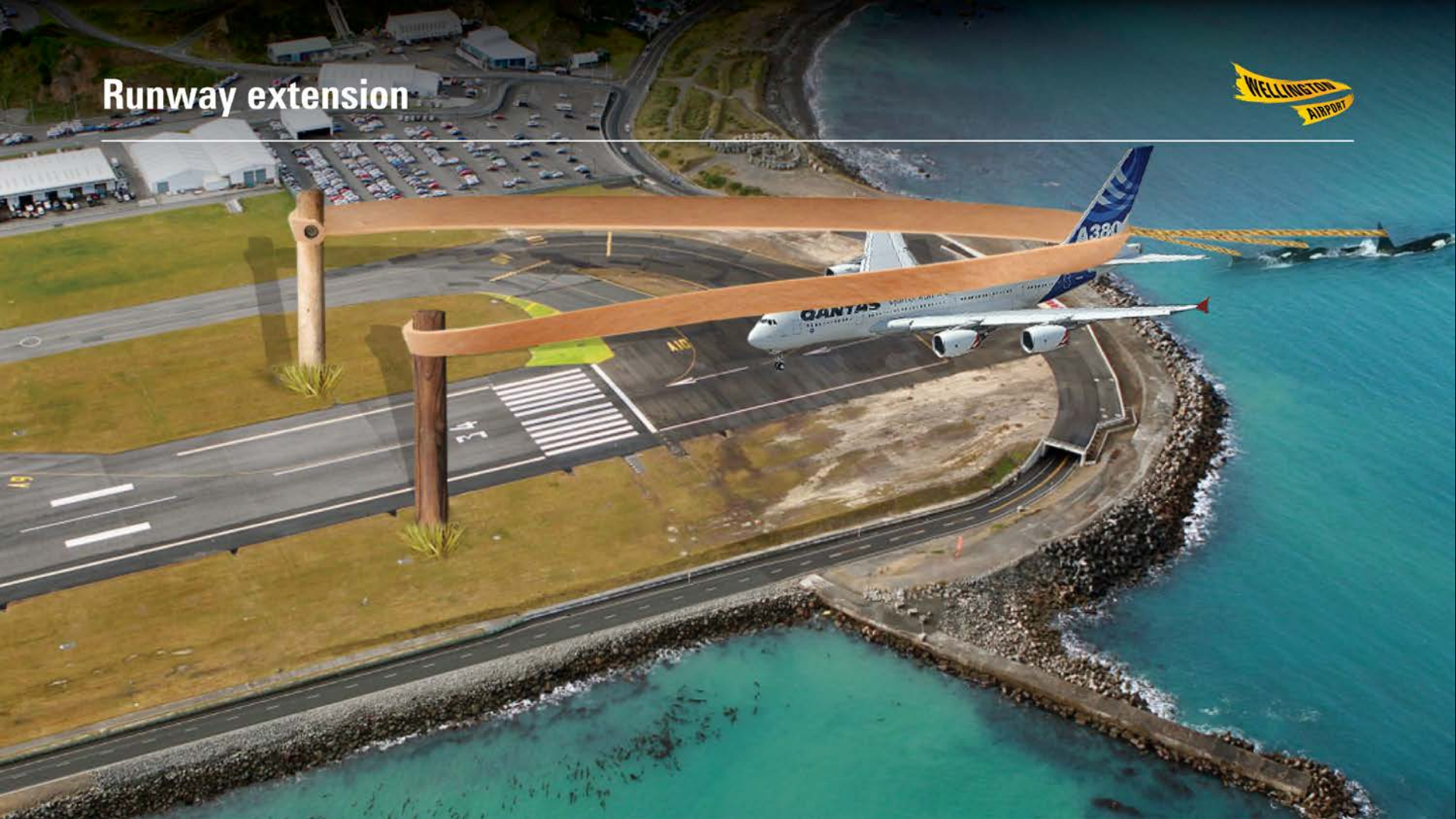
\$2m commitment
by WIAL and WCC
to scope the project

Runway extension



Runway extension

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Wellington's long haul market



- \$57b in GDP
- Strong demand - 1,300 people fly long haul out of WLG per day
- Lower costs of living
- More disposable income for travel - house prices 25% cheaper than AKL
- High propensity to travel with highest incomes \$1,700 per week
- Large population with 1.1m regional residents
- Capital city with Government employment
- Home to NZ Stock Exchange and HQ for Int'l Organisations
- Highest Yields – Long haul fares 50% higher than AKL/CHC
- Highest proportion of business travel 15% (compared with 12% AKL and 7% CHC)

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Wellington's long haul market



Passengers Required

150,000



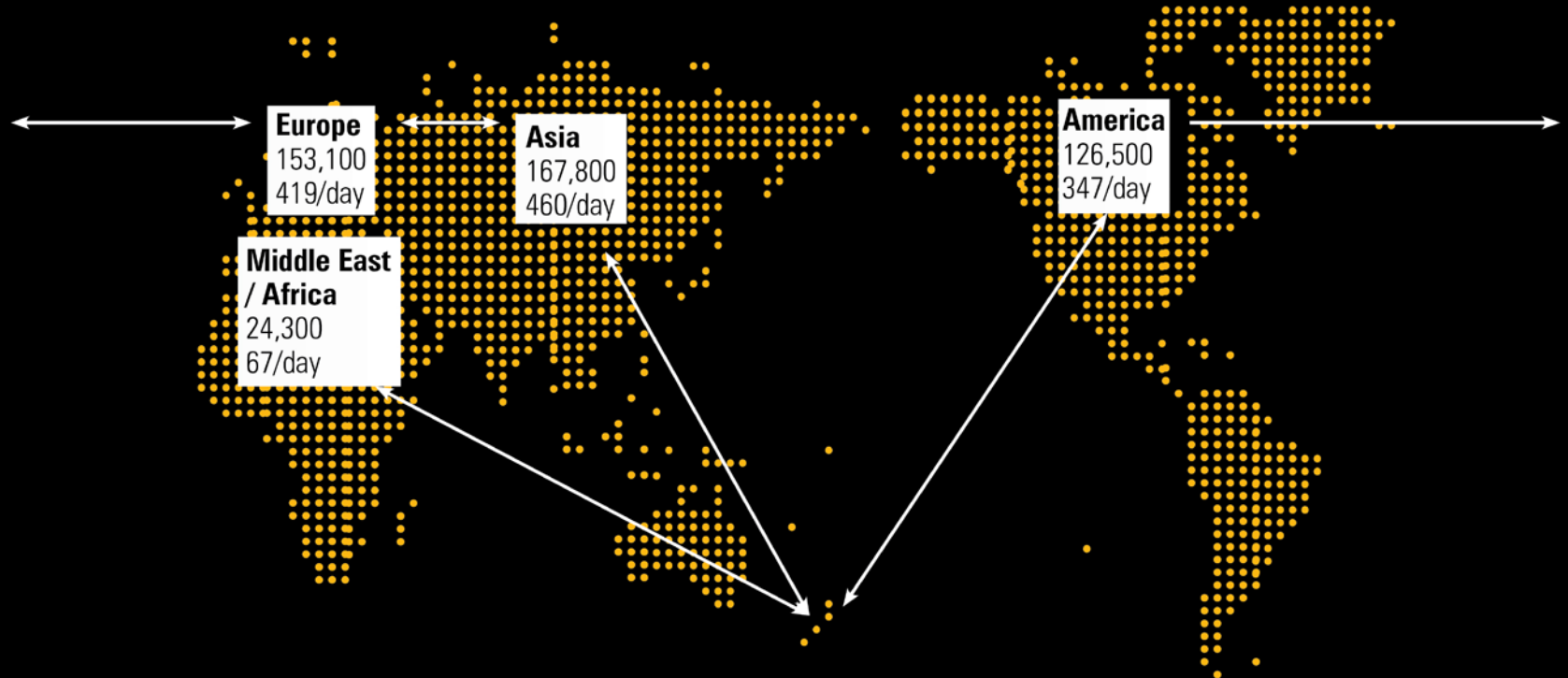
Current Demand

470,000

3 plane
loads worth
of demand



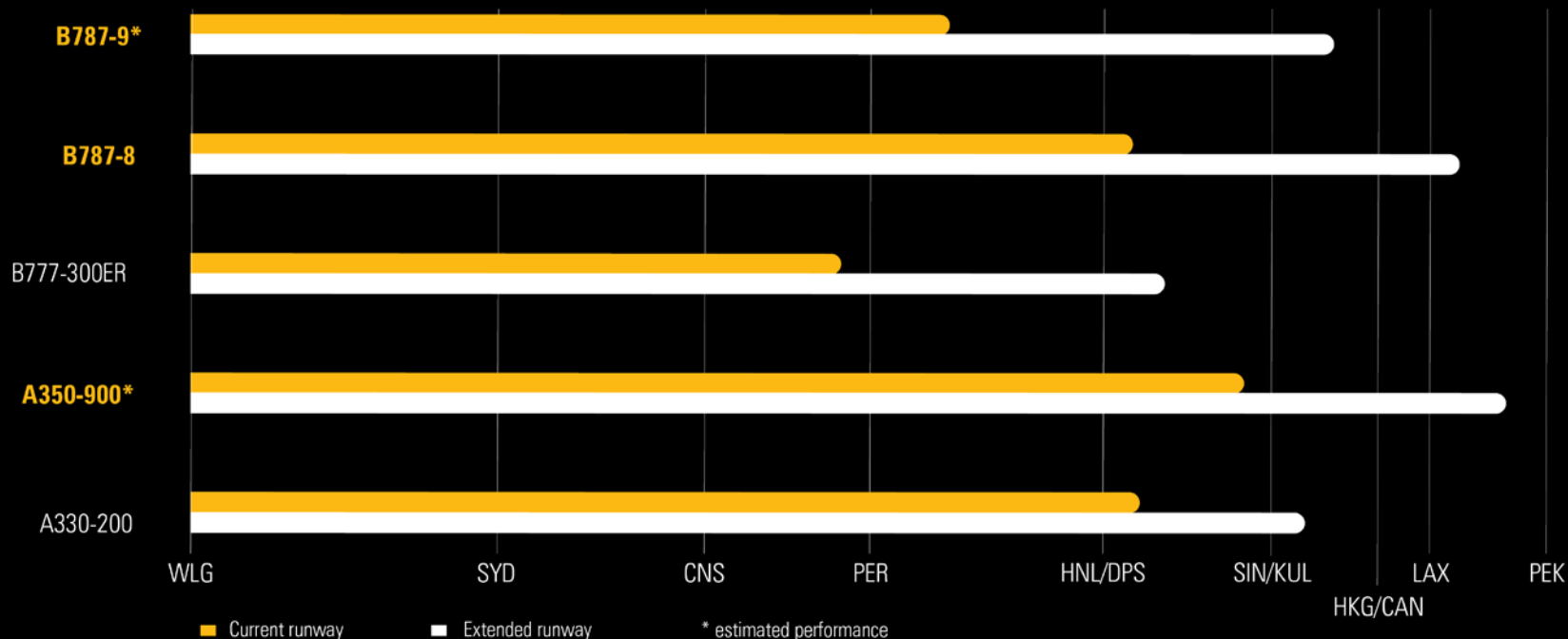
Wellington's long haul market



Around 300m connects Wellington to world



Full Passenger Load Range from Wellington



Economic benefit



International tourism

- number of tourist nights and expenditure



Business passengers

- productivity savings from reduced travel times



International students

- increased numbers of students and associated expenditure



Aviation & airports

- economic gains to the airport and aviation industry, including retail operations



Freight

- productivity improvements from reduced journey times

Direct economic benefit



Wellington region

NPV \$534m

New Zealand

NPV \$1,327m

Direct gross value added medium scenario



Cost and engineering



\$300m

Local Govt

Central Govt

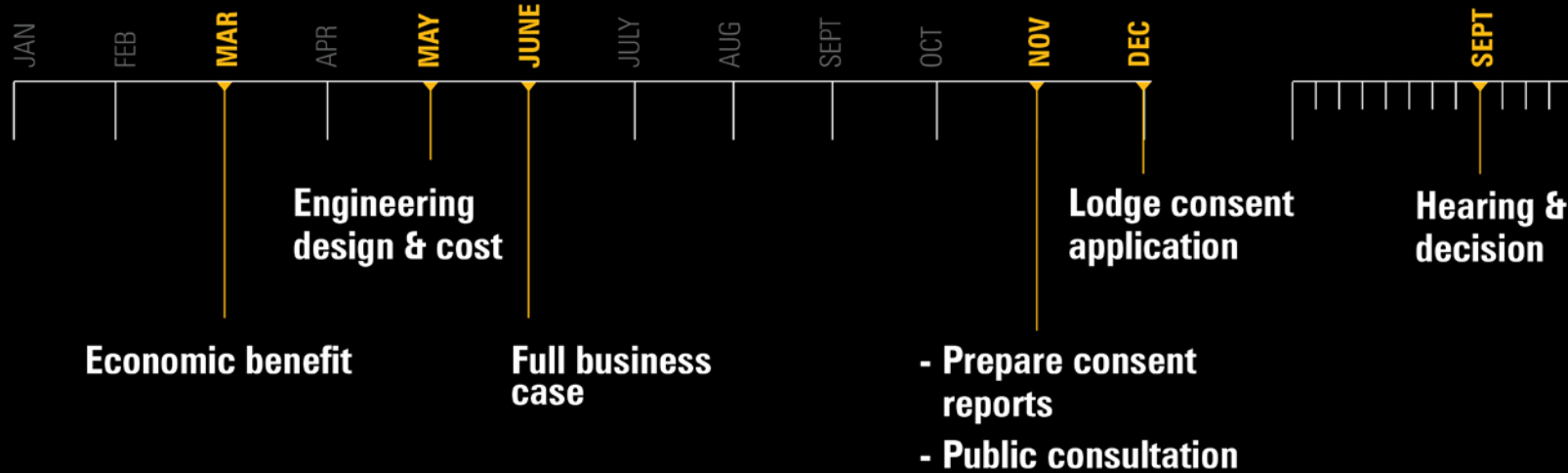
Airport Investment

16

Next steps



2014



The engine room of the region



1

**Regulation
question has been
answered.**

2

**\$250m invested in
travel and tourism
infrastructure over
the next 5 years.**

3

**Runway Extension
is the game
changer.**

Disclaimer

The information set out above relates to future matters, that are subject to a number of risks and uncertainties (many of which are beyond the control of WIAL, which may cause the actual results, performance or achievements of WIAL to be materially different from the future results set out above. The inclusion of the forward-looking information should not be regarded as a representation or warranty by WIAL, the directors of WIAL or any other person that those forward-looking statements will be achieved or that the assumptions underlying any forward-looking statements will in fact be correct.

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