Bond Summary
Feb 2017

Sydney Airport

CPI + 3.12% 20 November 2030

Senior Secured Capital Indexed Bond

Sydney Airport is Australia's largest Airport

DISCLAIMER: This document should not be viewed as complete credit research. It is a summary document only designed to help the reader identify the key elements of the company or financial product referred to in this document and should be read in conjunction with the offering documentation available.

Issuer Overview

Sydney Airport Finance Company Pty Limited (SAFC) is a wholly owned financing subsidiary of Sydney Airport Corporation (SAC). SAC is the lessee and operator of Sydney's Kingsford Smith Airport (KSA) under a long-term lease granted by the Commonwealth Government. KSA is Australia's largest airport and has the strongest business risk profile of any of the Australian airports. This is a result of its diverse and reliable cash flows, resilient passenger numbers, quality management and shareholder support.

Southern Cross Airports Corporation Holdings Ltd ('SCACH') is the ultimate parent company of the Sydney Airport Group. SCACH and Southern Cross Airports Corporations Pty Limited ('SCAC') were established to acquire SAC when Sydney Airport was privatised. SCACH is wholly owned by an ASX listed entity known as Sydney Airport (ASX: SYD).

Key Information

Sydney has Australia's largest airport and remains the key national hub both domestically and internationally. The major Australian airports are monopolies or near monopolies as they dominate the aviation market in their respective states. As a monopoly asset, Sydney Airport's aeronautical related revenues are regulated which provides some cash flow surety and underpins the financial model.

Significant revenue diversification gives comfort to bond holders

Sydney Airport enjoys significant revenue diversification which are directly correlated to passenger numbers, such as car parking and shop rents within the terminal. While non-aeronautical revenues are not regulated, they still display highly monopolistic traits (once they are at the airport there is nowhere else for a passenger to go). Retail rents, which contribute significantly to total revenues, are underpinned by fixed leases, while retail revenues operate under a 'ratchet' mechanism to increase returns in line with overall terminal performance

ISIN	AU3AB0000085
Minimum amount	AUD10,000
Denominations	AUD1,000
Retail / Wholesale	Retail and Wholesale
Coupon type	Fixed
Rate	3.12%
Coupon payment frequency	Quarterly
Issue date	20 November 2006
Maturity date	20 November 2030
Type / Rank	Senior secured
Domicile	Australia
Currency	AUD
Amount issued / outstanding	AUD300m / AUD300m
Aust. Witholding Tax exempt	Yes
Issuer / Bond credit rating	This is a rated security. Ratings can only be disclosed to wholesale clients.
Guarantor / Credit Wrapper	Guarantors: • Southern Cross Airports Corporation Holdings Ltd ('SCACH') • Sydney Airport RPS Company Pty Ltd • Southern Cross Airports Corporation Pty Limited • Sydney Airport Corporation Limited • Airport Nova Developments Pty Limited Credit Wrapper: • Ambac Assurance Corp., WI

Sydney Airport services 39 airlines, the largest number of any airport in Australia. Further, significant passenger numbers through Sydney Airport are serviced by government owned airlines, such as Singapore, Emirates and Air New Zealand, which lessens the risk of a significant airline collapse. Notwithstanding this, history has shown that Sydney Airport quickly replaces any lost passenger volumes caused by the departure of an airline (such as Ansett), as demand for 'landing slots' remains high.

Sydney Airport maintains a well-diversified debt profile with debt maturities ranging from 2018 to 2030 and its liquidity position is robust, which primarily reflects its holding of cash balances, solid operating cash flows and its staggered debt maturity profile.

The airport sector in Australia has a history of resilience with few instances of economic downturns or one off industry shocks affecting passenger numbers for more than six months. Some examples include the financial crisis and the SARS outbreak.

Risks

Sydney Airport retains a relatively aggressive financial profile. However, this is offset by:

- its position as the premier airport hub in Australia,
- its revenue diversification from a passenger type,
- carrier and revenue stream perspective; and
- the regulated nature of its key aeronautical revenues

While a 'second Sydney Airport' is often raised as a risk, we believe the risk to bondholders is limited. The current Sydney Airport masterplan shows the existing airport can meet forecast passenger number requirements with passenger forecasts more than doubling to almost 79 million. This is achieved through improved technologies and larger aircraft and without changes to current regulatory constraints such as curfews and noise caps. Further, the owners of Sydney Airport hold first right of refusal over the development of any second major airport within 100 kilometres for the first 30 years of their lease (2028). Recently they declared they do not have an interest in developing the second airport after performing due diligence. Any new player into the Airport space in Sydney has a significant capital and infrastructure expense over many years before revenue will commence. This provides a long timeline for SCACH to make good on bond holders on existing predictable revenue streams.

Summary

Sydney Airport 3.12% 20 November 2030 AUD senior secured capital indexed bond suits investors seeking inflation protection via an investment grade domestic credit.