



## Sydney Airport Holdings Pty Ltd (SYD.ASX)

12-Month Target Price: **\$6.96**

Last Close (20/10/2020): **\$6.01**

Upside: **15.80%**

**BUY**

**15.80% Upside**



Propensity to  
Travel

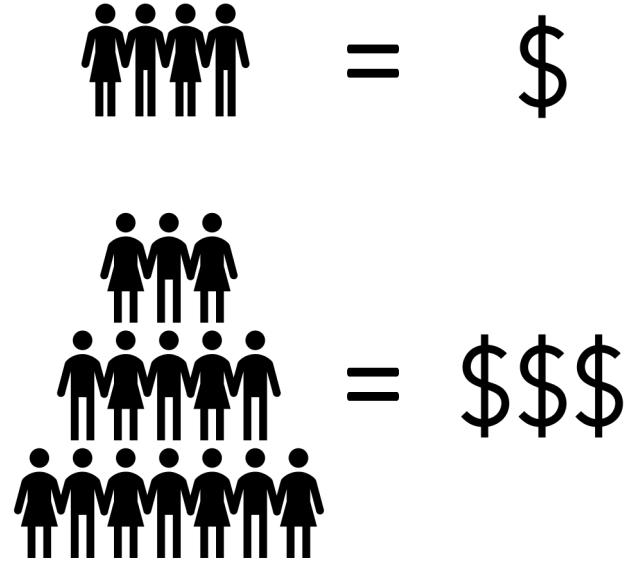
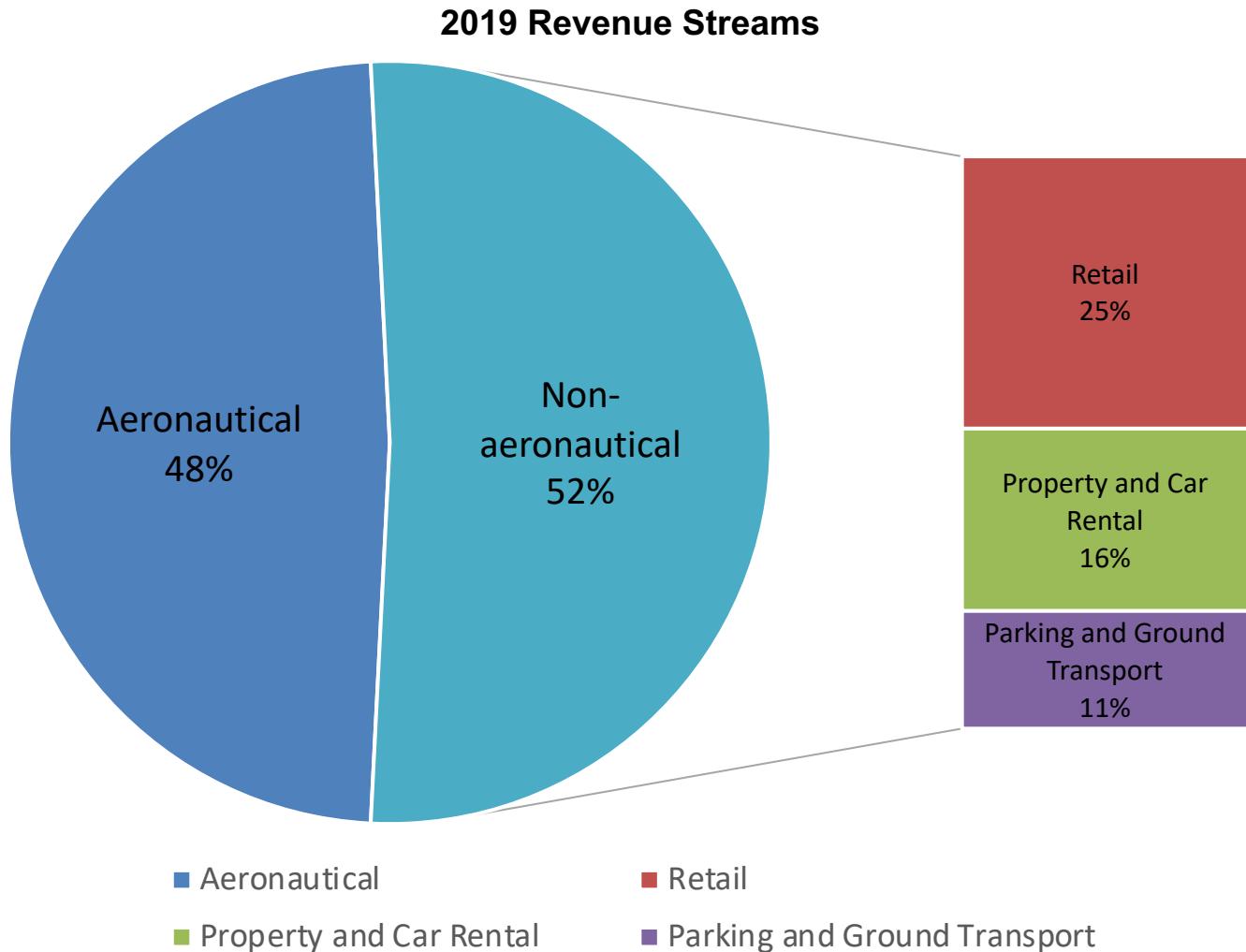


Long-run  
Profitability



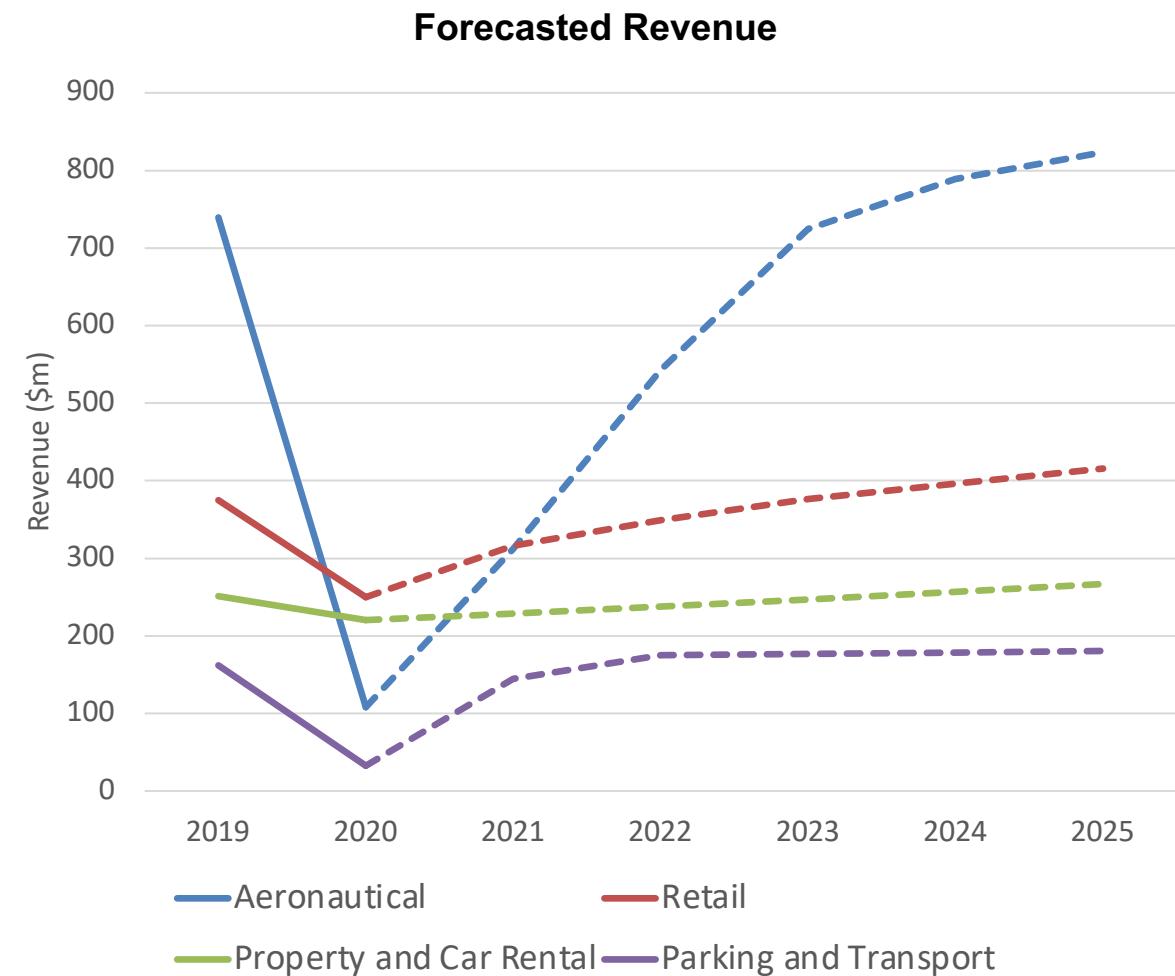
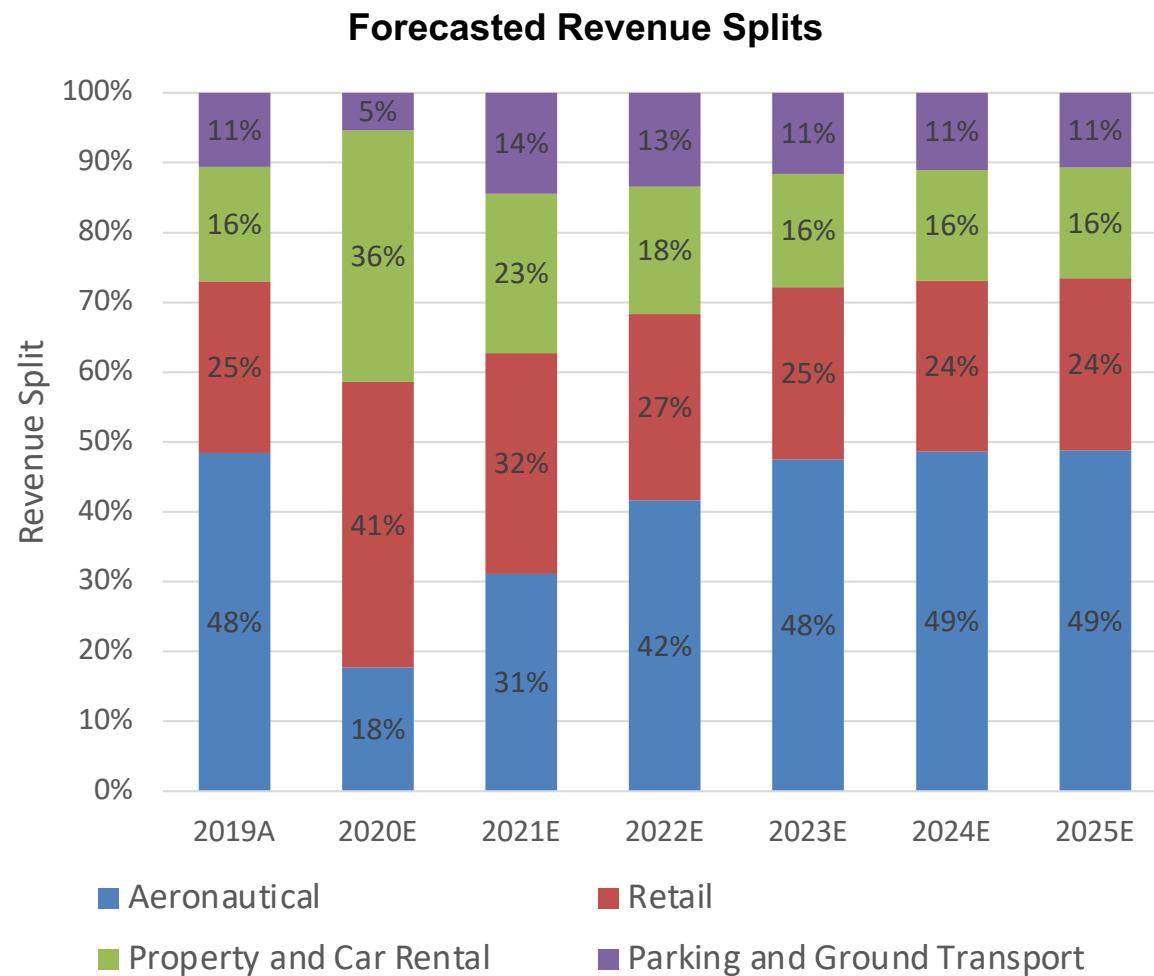
Downside  
Protection

# Business Overview A Simple Airport



Source: SYD Annual Report 2019

# Business Overview Revenue Forecasts

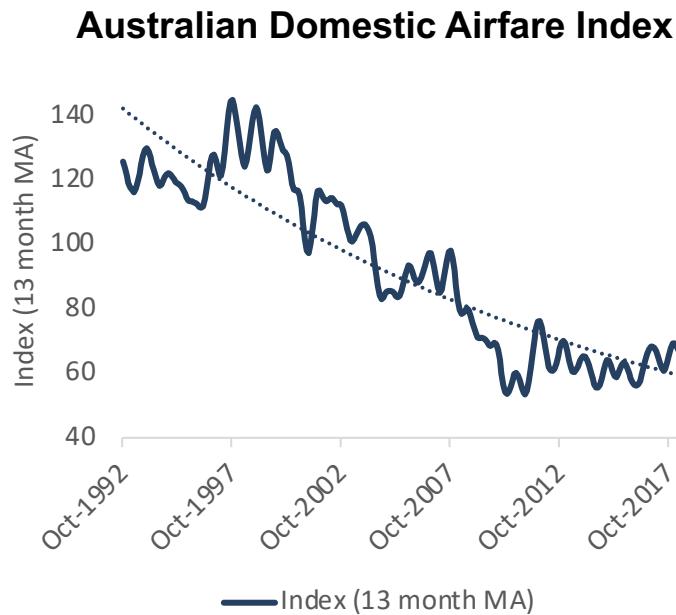


Source: Team Analysis

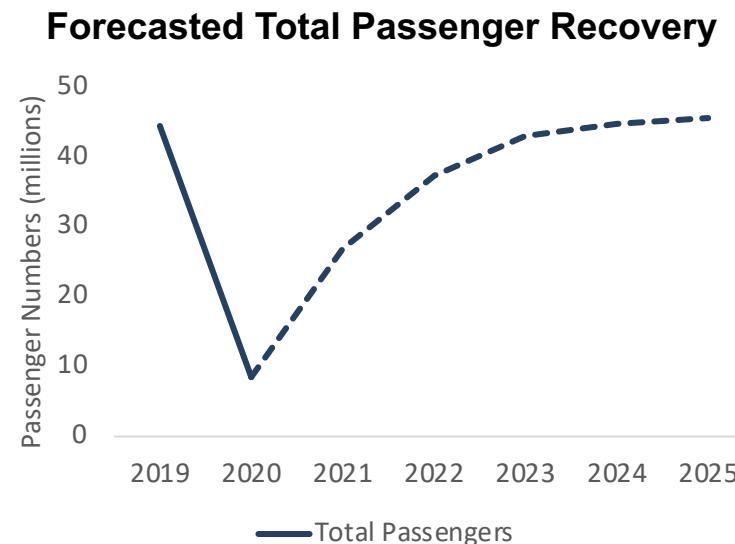
# Industry Overview



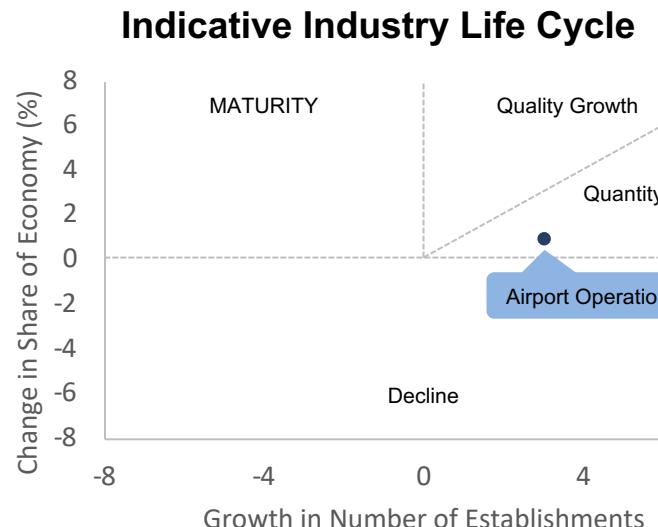
**Lower Airfares**



**Fast Rebound**



**Growth Phase**



Source: IBIS, Team Analysis

# Executive Summary

## Why BUY SYD?



Rebound in **Propensity** to Travel



**Long-run** Profitability



Downside **Protection**

A **BUY** recommendation with a 12-month target price of \$6.96, representing a 15.80% upside on the last close of \$6.01 (20/10/2020)

# Propensity to Travel Progress of the COVID-19 Vaccine

The world has never seen a vaccine progress so quickly....

## Pharmaceutical Companies in Phase-3

Company	Pre-Clinical	Phase-1	Phase-2	Phase-3	Phase-4
University of Oxford/AstraZeneca	✓	✓	✓	✓	
BioNTech/Fosun Pharma/Pfizer	✓	✓	✓	✓	
Novavax	✓	✓	✓	✓	
CanSino Biologics Inc./Beijing Institute of Biotechnology	✓	✓	✓	✓	
Moderna/NIAID	✓	✓	✓	✓	
Sinovac	✓	✓	✓	✓	
Wuhan Institute of Biological Products/Sinopharm	✓	✓	✓	✓	
Jassen Pharmaceutical Companies	✓	✓	✓	✓	
Gamaleya Research Institute	✓	✓	✓	✓	
Beijing Institute of Biological Products/Sinopharm	✓	✓	✓	✓	
University of Melbourne/Murdoch Children's Research Institute	✓	✓	✓	✓	

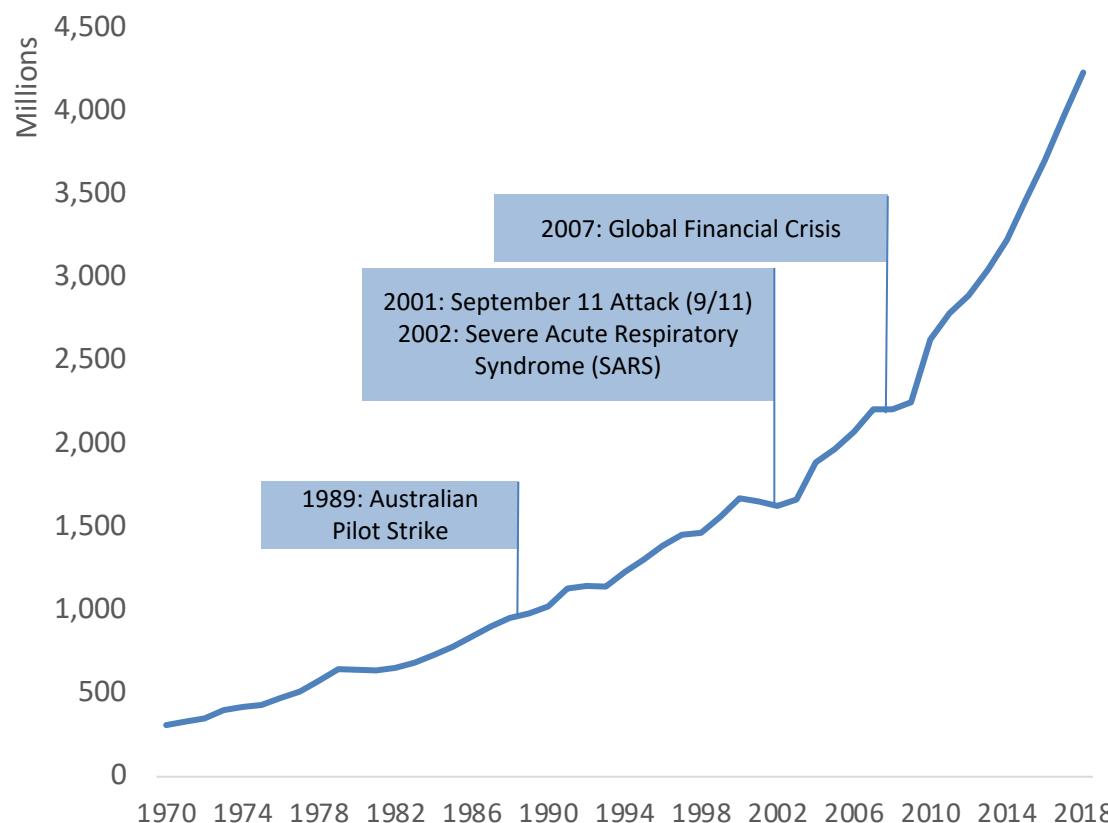
Source: *The Guardian*

# Propensity to Travel Nothing is Forever...

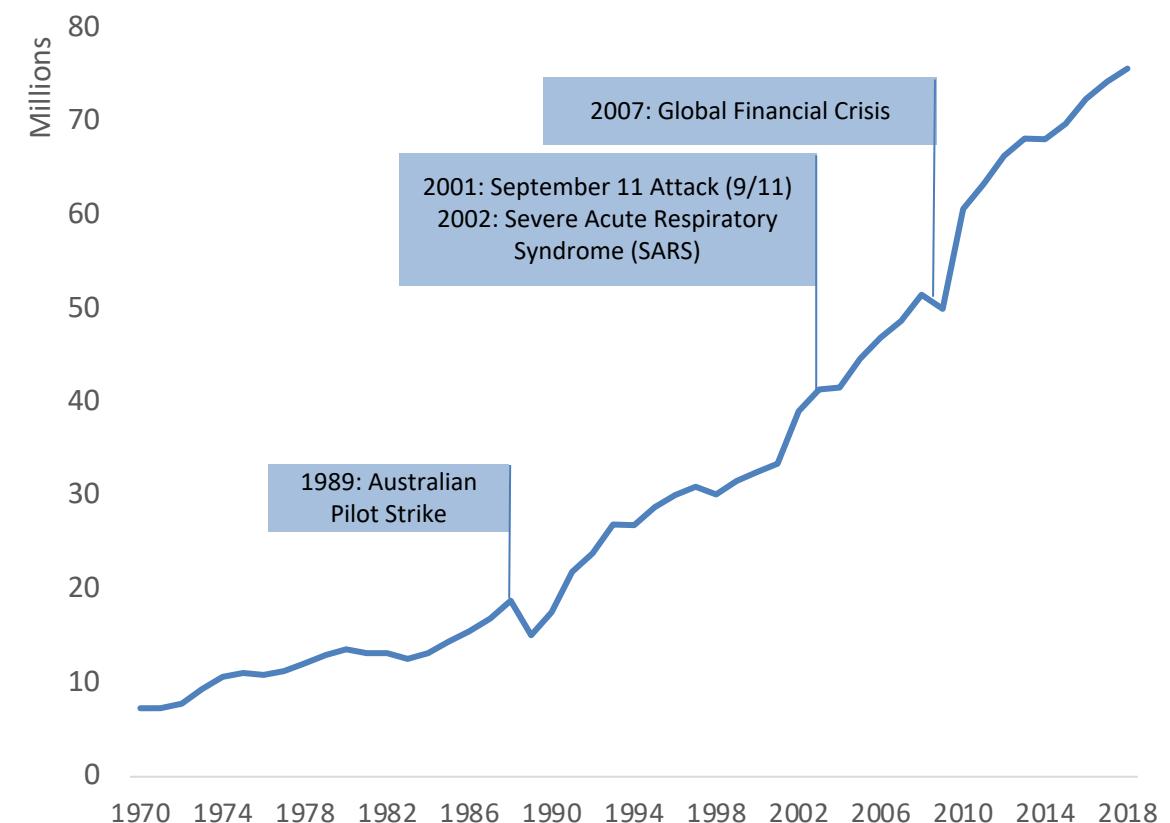
Despite a 59% to 62% decrease in passenger numbers globally, there is a natural trend of international recovery returning within two-years....

We also see this growing trend in Australia

**Historical Passenger Growth Globally  
1970 - 2018**



**Historical Passenger Growth of Australia  
1970 - 2018**

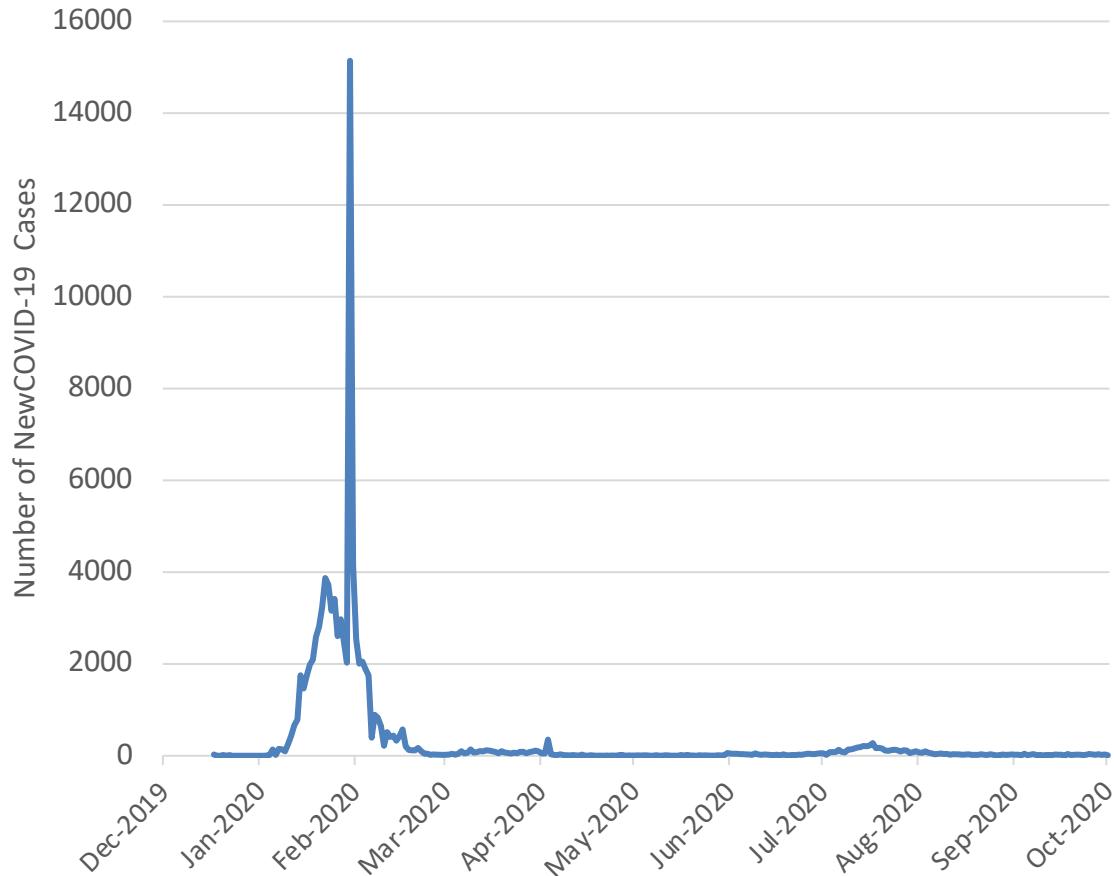


Source: The World Bank

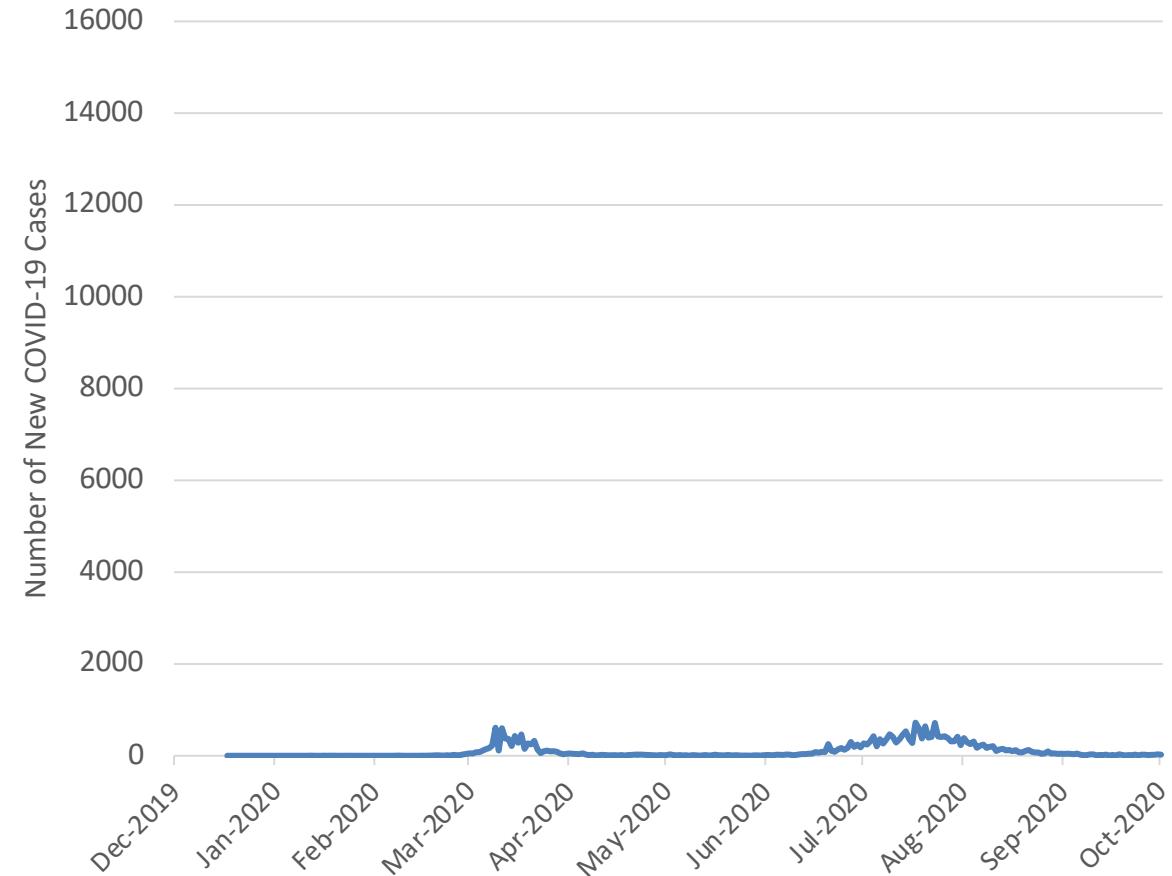
# Propensity to Travel *Right Before our Very Eyes...*

As new COVID-19 cases begin to diminish.... We can expect the same result of domestic travel in the near future as borders reopen

**New Cases of COVID-19 in China**



**New Cases of COVID-19 in Australia**



Source: ICAO

BUY

BUSINESS  
OVERVIEW

INDUSTRY &  
MARKET

EXECUTIVE  
SUMMARY

PROPENSITY TO  
TRAVEL

LONG-RUN  
PROFITABILITY

DOWNSIDE  
PROTECTION

ESG

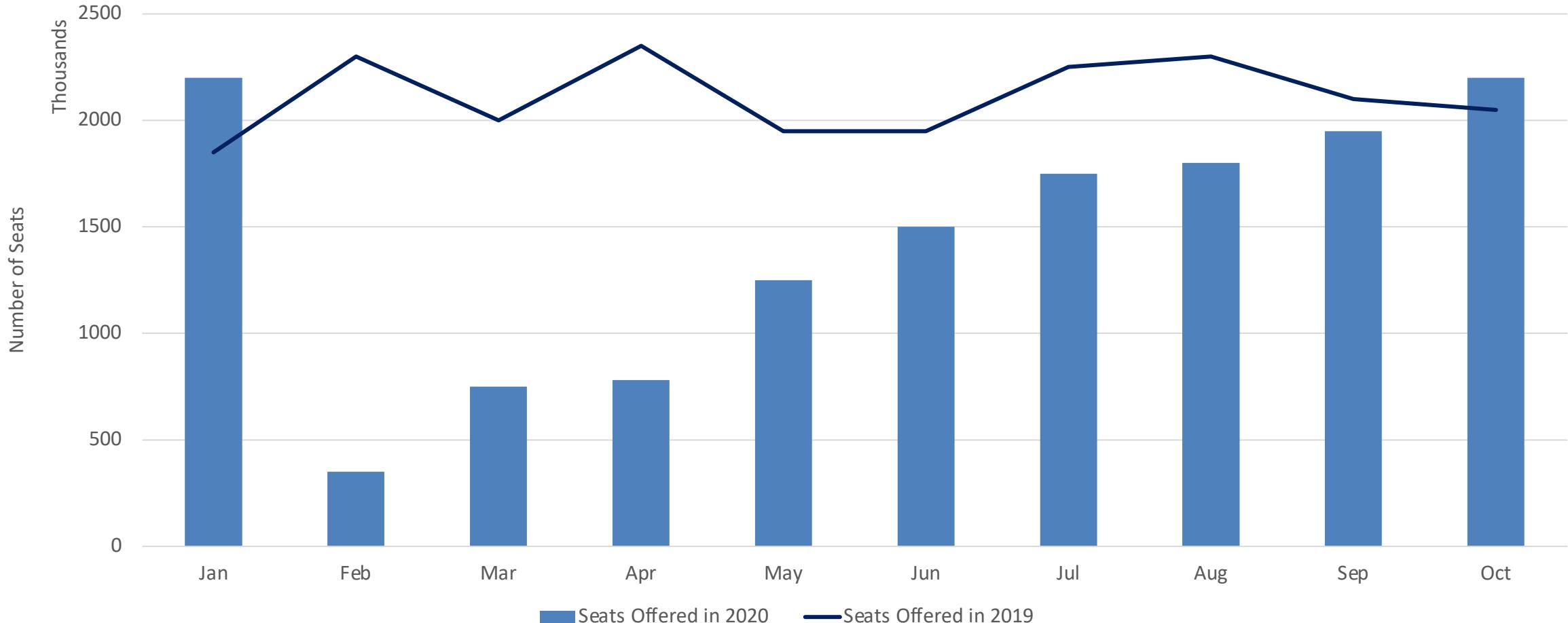
RISKS

VALUATION

# Propensity to Travel *Domestic Travel to Rebound*

We see China's domestic passenger capacity offered above 2019 levels

**Number of Domestic Seats Offered in China**

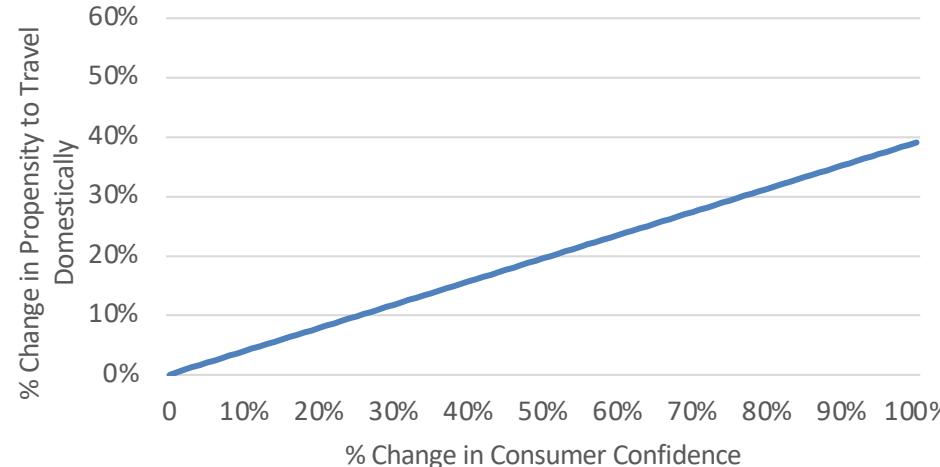


Source: ICAO

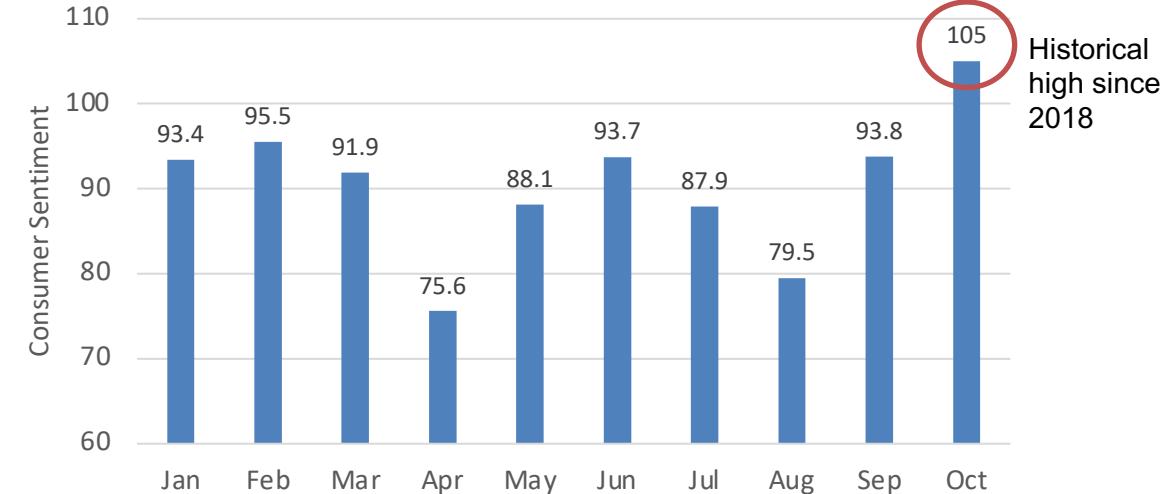
# Propensity to Travel Supported by Fiscal Stimulus

We found two elasticities...

**Consumer Confidence and Domestic Travel**

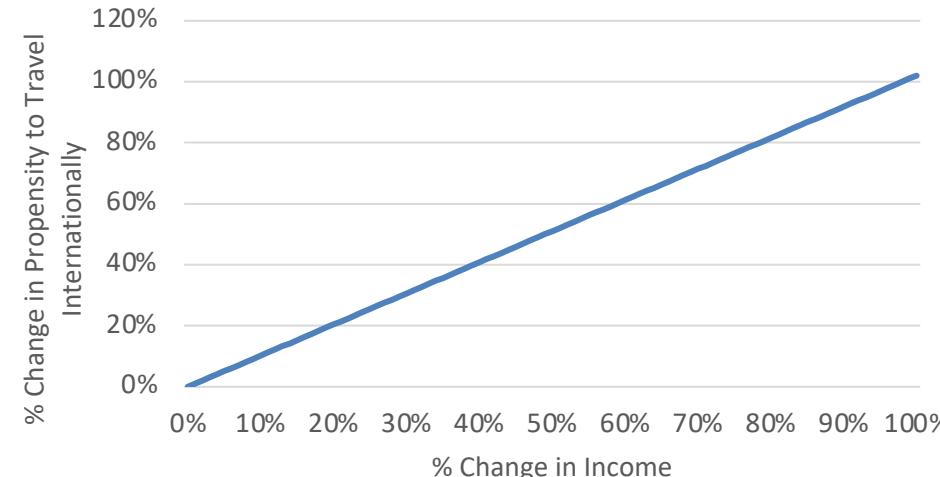


**Australia Consumer Sentiment 2020**



Historical high since 2018

**Income and International Travel**



**2020-2021 Australian Tax Changes**

Taxable Income	Change in Tax (%)
\$ 40,000	-24.1
\$ 60,000	-17.8
\$ 80,000	-11.3
\$ 100,000	-9.2
\$ 120,000	-8.0
\$ 140,000	-6.1
\$ 160,000	-5.1
\$ 180,000	-4.4
\$ 200,000	-3.8

Source: TRA

BUY

BUSINESS  
OVERVIEW

INDUSTRY &  
MARKET

EXECUTIVE  
SUMMARY

PROPENSITY TO  
TRAVEL

LONG-RUN  
PROFITABILITY

DOWNSIDE  
PROTECTION

ESG

RISKS

VALUATION

# Propensity to Travel *Global Fiscal Stimulus*

	Gov Spending in Each Country's Currency	% of GDP	Main Fiscal Stimulus	
China	4.6 trillion	4.50%	Unemployment insurance	Tax relief
Japan	115.1 trillion	21.20%	Unemployment insurance	Cash handout
Korea	99.8 trillion	5.20%	Unemployment insurance	Cash handout
Singapore	100 billion	26.88%	Wage subsidies	Cash handout
Australia	272.3 billion	14.00%	Wage subsidies	Tax relief
New Zealand	58.5 billion	19.50%	Wage subsidies	Tax relief
US	3 trillion	14.50%	Wage subsidies	Tax relief
UK	210 billion	9.50%	Wage subsidies	Tax relief
EU	2% of each country GDP		Unemployment insurance	

Source: IMF

# Long-run Profitability *The Key to Success*

We expect the \$ per PAX charges to constantly grow at 0.17% for domestic and 2.84% for international passengers

International passengers boost profitability!

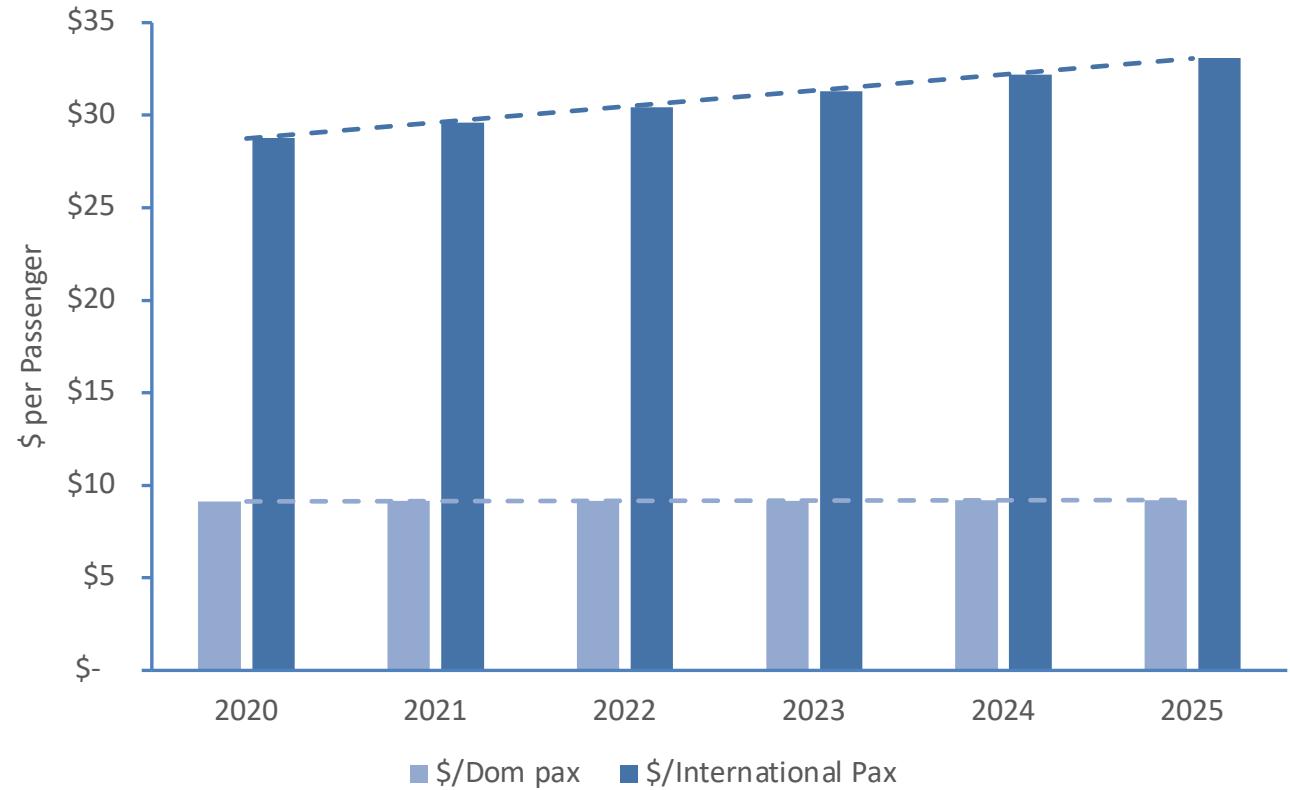
Domestic v International Passenger Profitability 2019



Domestic v International Passenger Profitability 2025



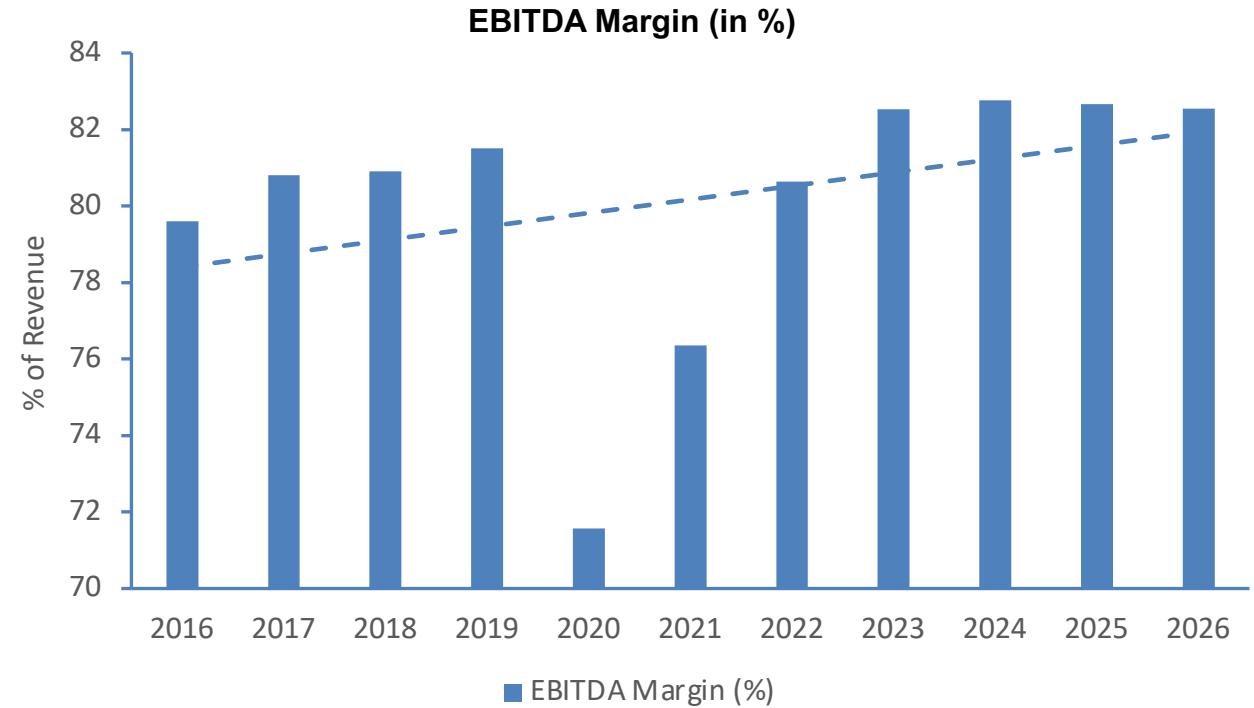
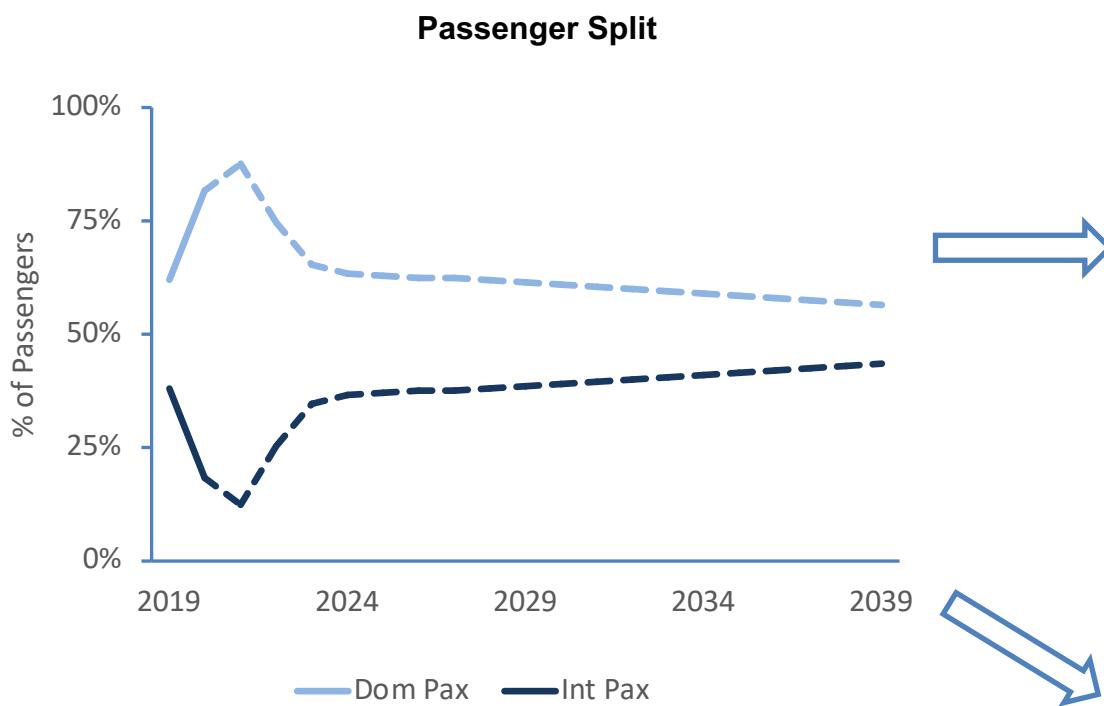
Revenue Per Domestic and International Passenger



Source: Team Analysis

# Long-run Profitability Attracting the Right Passengers

Aviation industry trends, WSA and infrastructural developments support existing shifts and will improve the long-run profitability



	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Return on Assets (%)</b>		3.40	2.20	-2.43	0.12	2.22	3.72	4.35	4.72
<b>Net Margin (%)</b>		23.40	13.10	-27.06	1.39	20.42	25.85	27.05	27.36

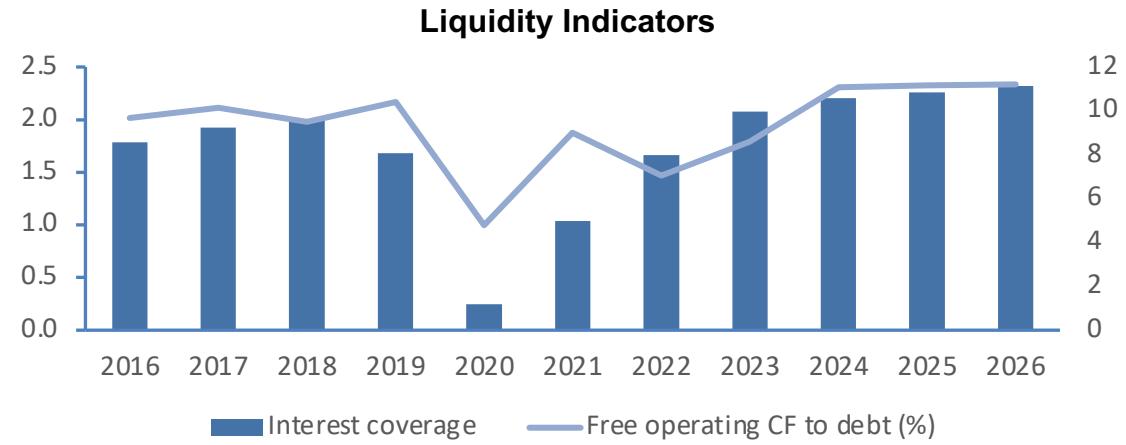
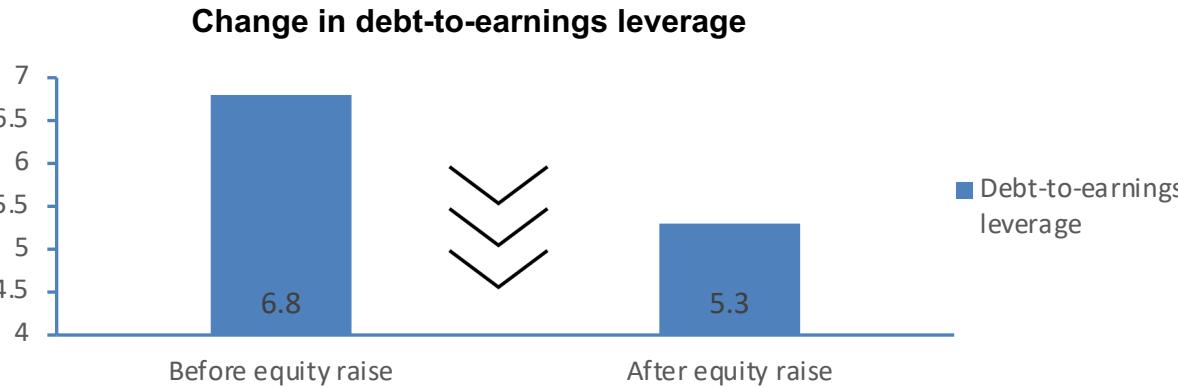
Source: Team Analysis

# Downside Protection Balance Sheet Resilience

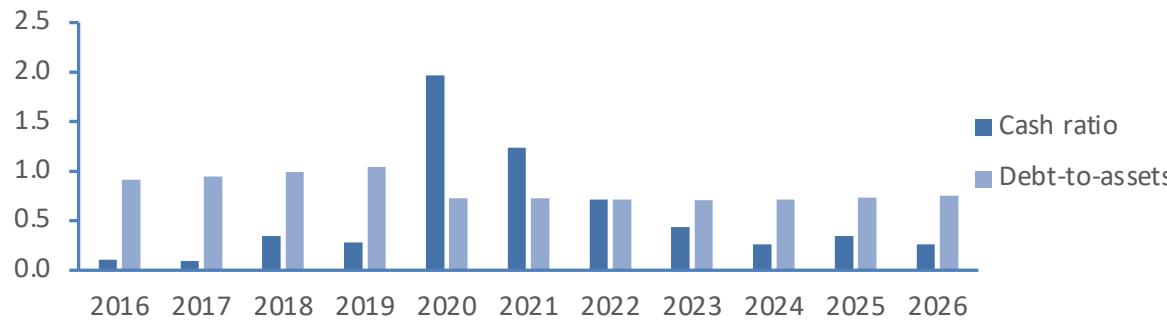
Latest \$2 billion equity raise lowered pro forma net debt by 22%

With fresh cash through the crisis...

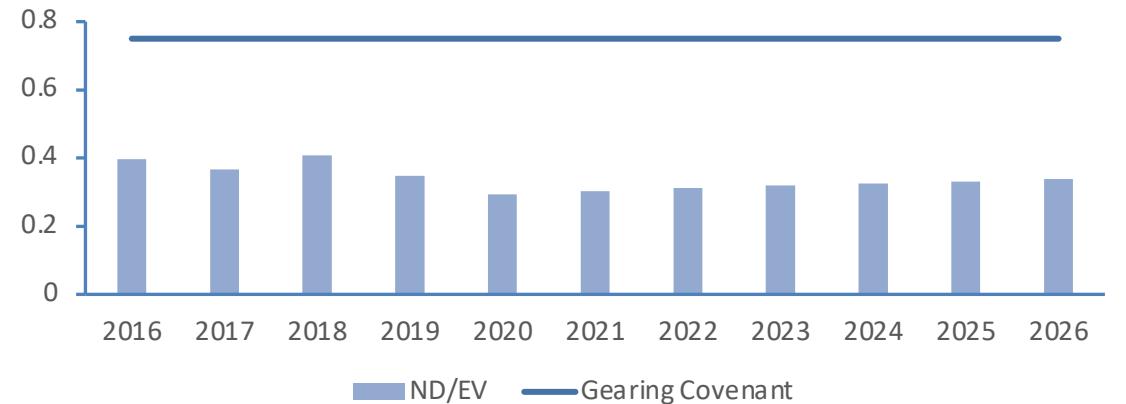
...and income for stability.



**Change in cash and debt-to-assets ratio**



**Solvency Indicators**



Source: Team Analysis

BUY

BUSINESS  
OVERVIEW

INDUSTRY &  
MARKET

EXECUTIVE  
SUMMARY

PROPENSITY TO  
TRAVEL

LONG-RUN  
PROFITABILITY

DOWNSIDE  
PROTECTION

ESG

RISKS

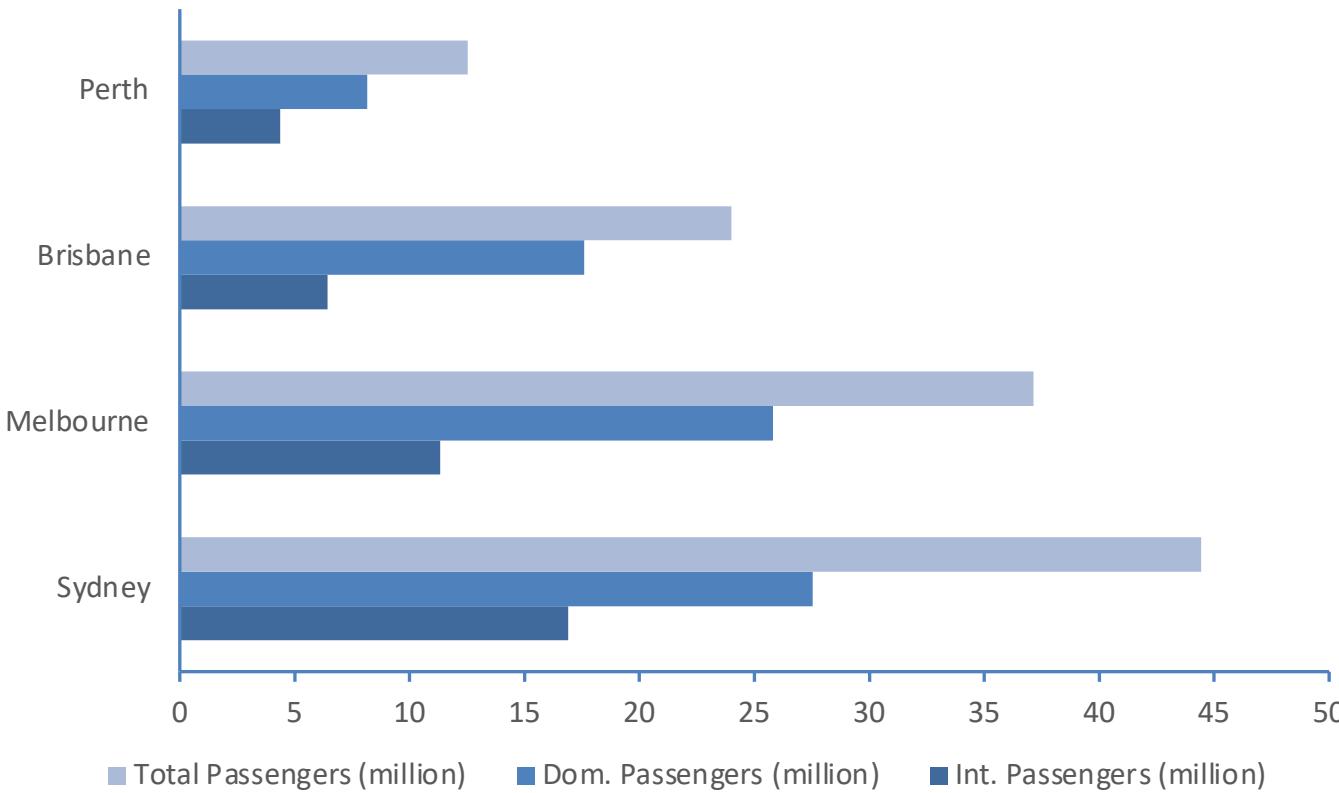
VALUATION

# Downside Protection No Way Around SYD

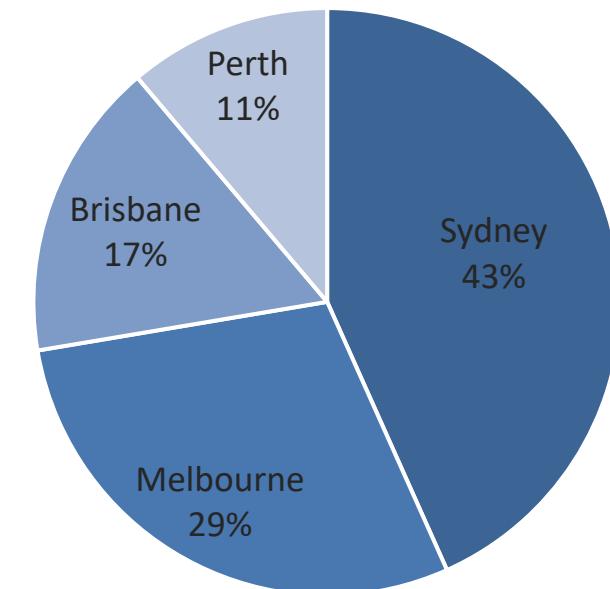
Onshore or offshore – the destination is Sydney...

...giving SYD a market share to dream about

**Number of Total Passengers for Major Australian Airports (2019)**



**Market Share between Australia's Top 4 Airports (2019)**



Source: Bureau of Infrastructure and Transport Research Economics

# ESG Money Where Their Mouths Are

## Sustainability-Linked Loan of \$1.4 Billion

- Direct link between sustainability performance and funding costs
- Debt facility margins based on sustainability targets
- First syndicated Sustainability Linked Loan (SLL) in Australia
- The largest SLL in Asia-Pacific
- The largest SLL to an airport globally

## Airport Carbon Accreditation Level 3 - Optimisation



## SYD's Environmental Action Plans



Sustainability and environmental management



Climate change mitigation and adaptation



Air quality



Ground-based noise



Ground transport



Water quality and water use



Biodiversity



Heritage



Waste and resource recovery



Soil and land management



Spill response and hazardous materials

Source: SYD 2019 Annual Report

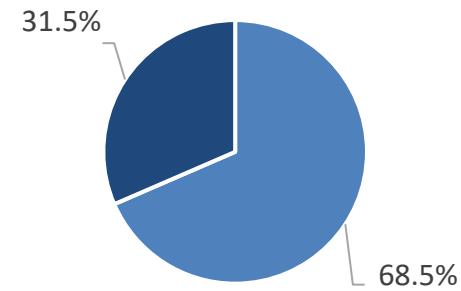
# ESG Selfless Investing into the Community

## SYD's Investments into Local Communities

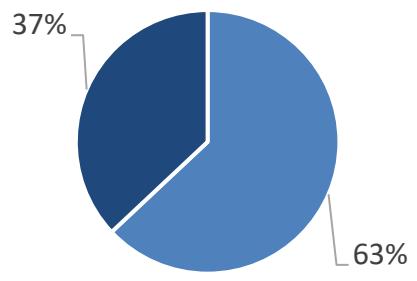
- \$5.2 million invested into local communities in 2019 supporting 29 organisations
- Sponsoring a UNSW Aviation Scholarship every year as part of the SYD100 program
- Above average gender pay ratio
- Above average amount of women in managerial roles

## Managerial Role Gender Split

Australian Average



SYD Airport

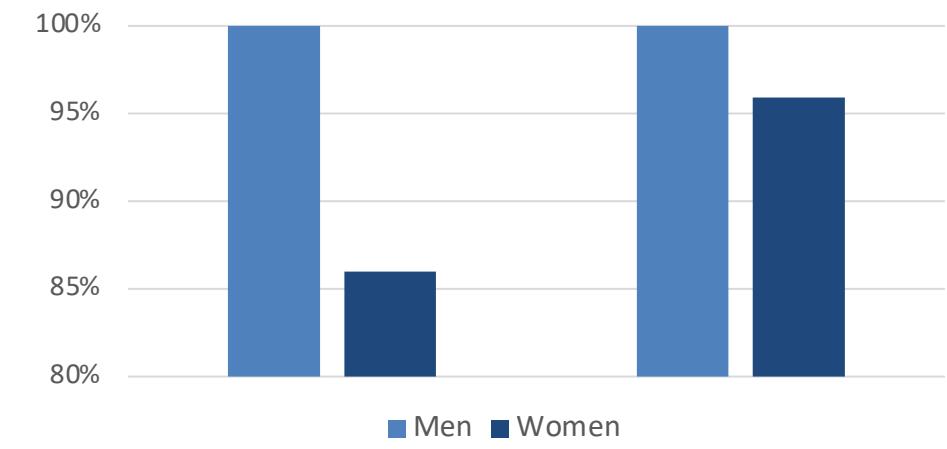


## Thomson Reuters ESG Score

	2019	2018	2017	2016	2015	2014
Environment Pillar Score	A	A	A-	A-	B+	B-
Social Pillar Score	A	A-	B-	C+	C	C
Governance Pillar Score	A-	A-	B+	B	B	B-

## Gender Pay Gap

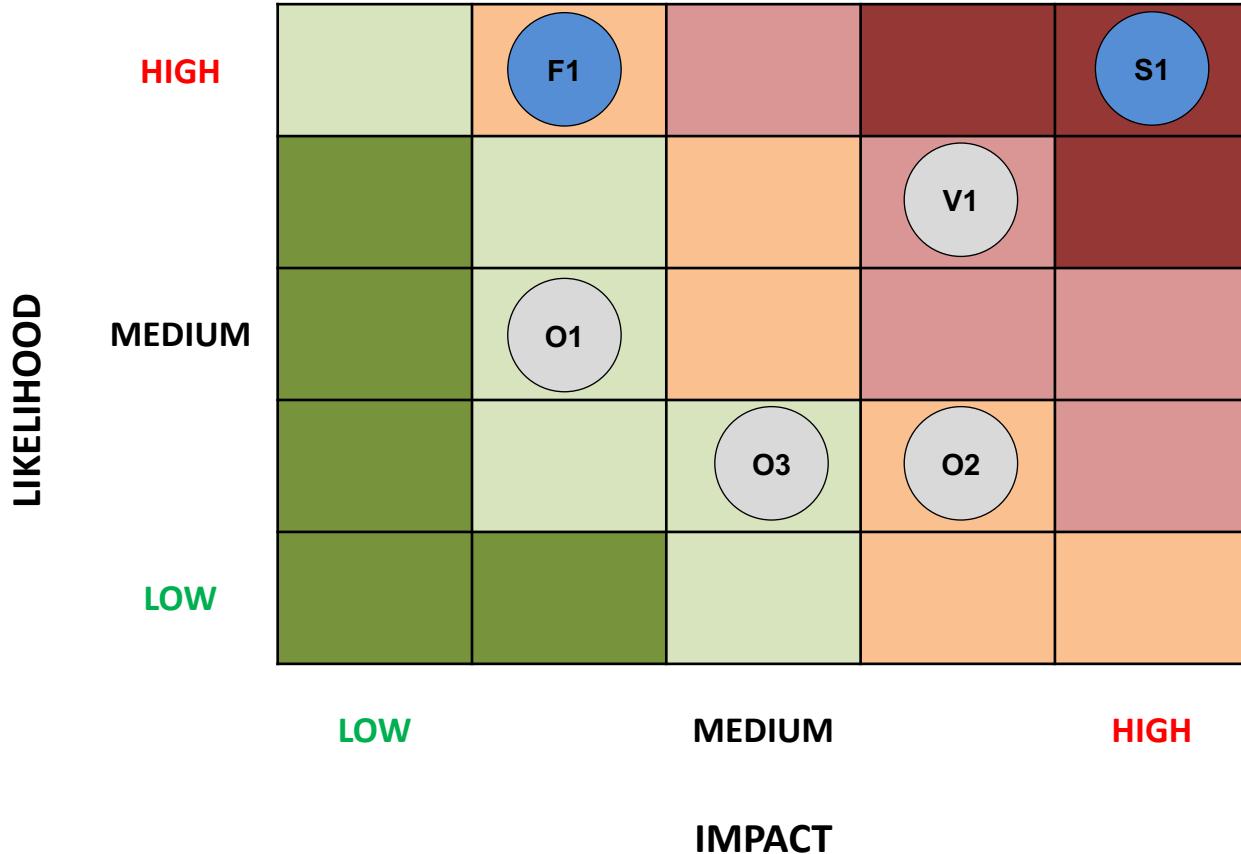
Australian Average



SYD Airport

Source: SYD 2019 Annual Report, Thomson Reuters

# Investment Risks Key Risks to our Recommendation



- 1 [S1] COVID-19 Pandemic  
Global travel restrictions hindering passenger numbers
- 2 [F1] Western Sydney Airport  
New airport due for completion in 2026 which will bring increased competition

## Identified Risks:

- |  |                            |
|--|----------------------------|
| [V1] Model Assumptions and Sensitivity | [O1] Capacity Constraints  |
| [S1] COVID-19 Pandemic                 | [O2] Regulatory Risk (ESG) |
| [F1] Western Sydney Airport            | [O3] Airline Concentration |

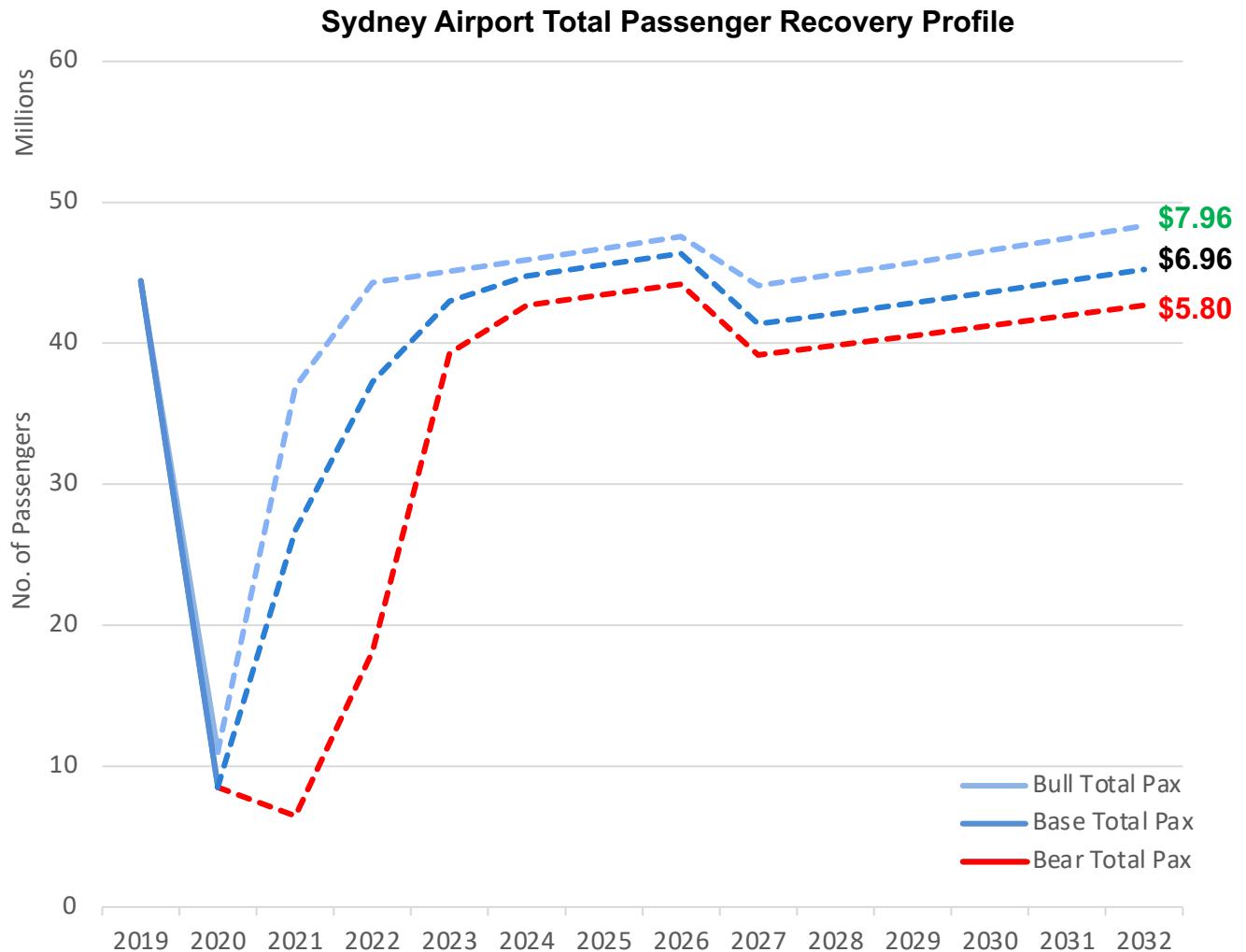
Source: Team Analysis

# Investment Risks COVID-19 Resurgence

## Bear Case

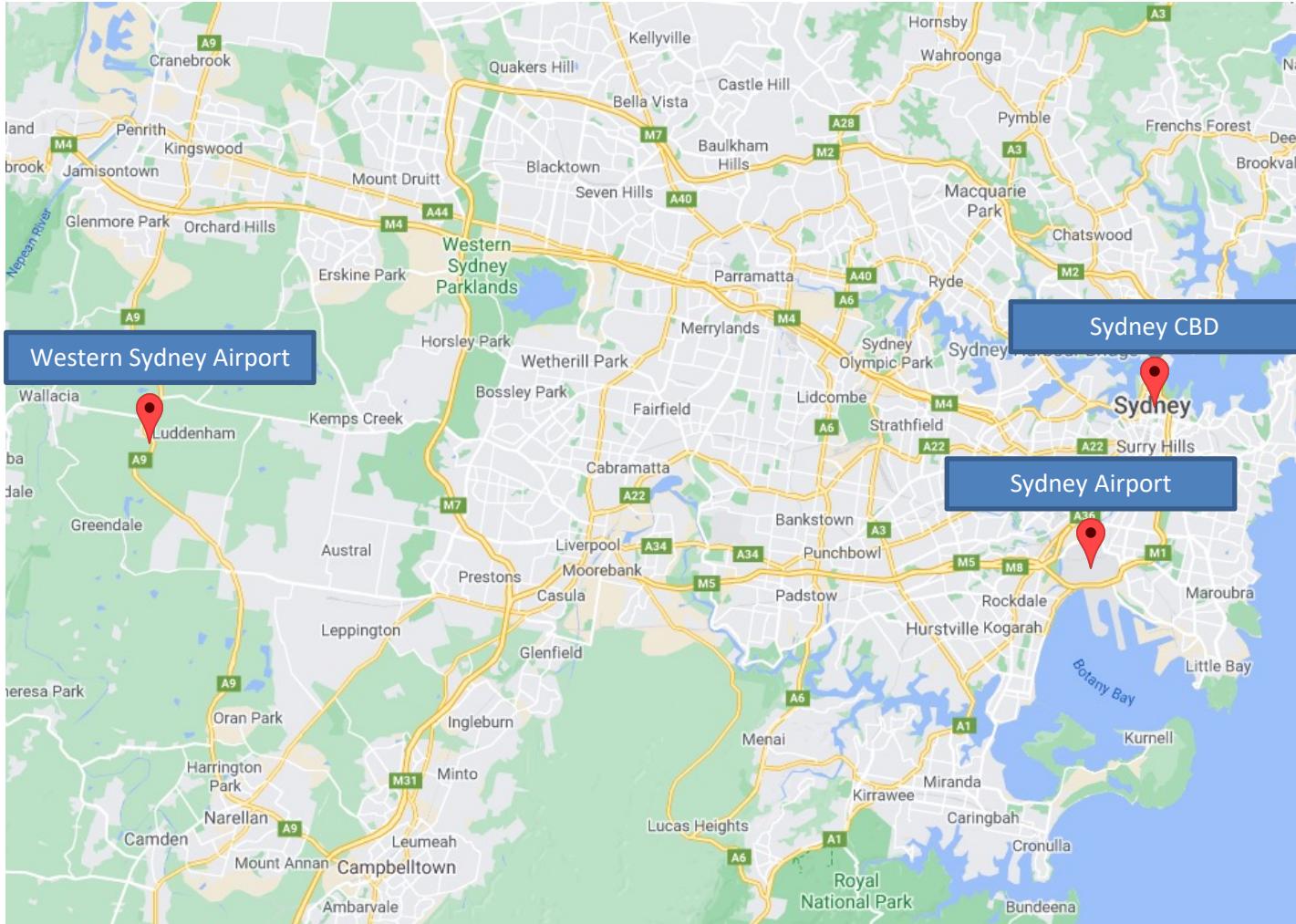
- Strict international and domestic lockdowns
- Passenger numbers decline further from current levels
- Lockdowns ease late 2021
- Bear target price \$5.80
- Current price \$6.01 – limited downside

## ASYMMETRIC BUY OPPORTUNITY



Source: Team Analysis

# Investment Risks SYD v WSA



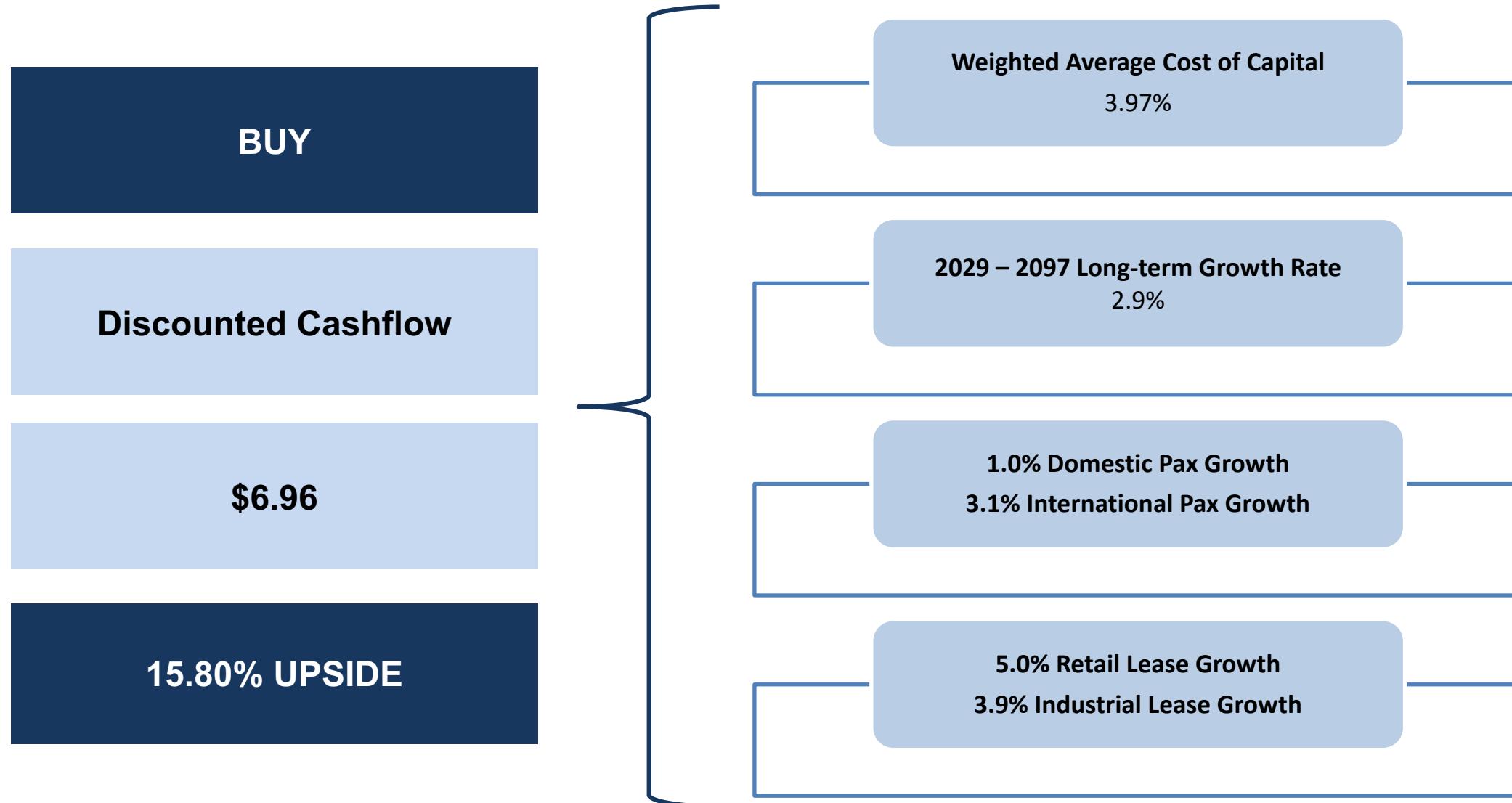
- Located eight kilometres south of Sydney's CBD
- Used by 44.4 million passengers in 2018
- Australia's busiest airport
- Ranked 26<sup>th</sup> on SkyTrax World Airport Awards in 2020
- Three runways
- Accounts for 40% of international services, 43% of domestic services and 45% of international air freight in Australia



- Located 44 kilometres west of Sydney's CBD
- Estimated 50min drive from Sydney's CBD
- Initial capacity of 10 million passengers in 2026
- One runway until 2040 - 2050

Source: Google Maps, WSA.gov, SYD Website, SkyTrax

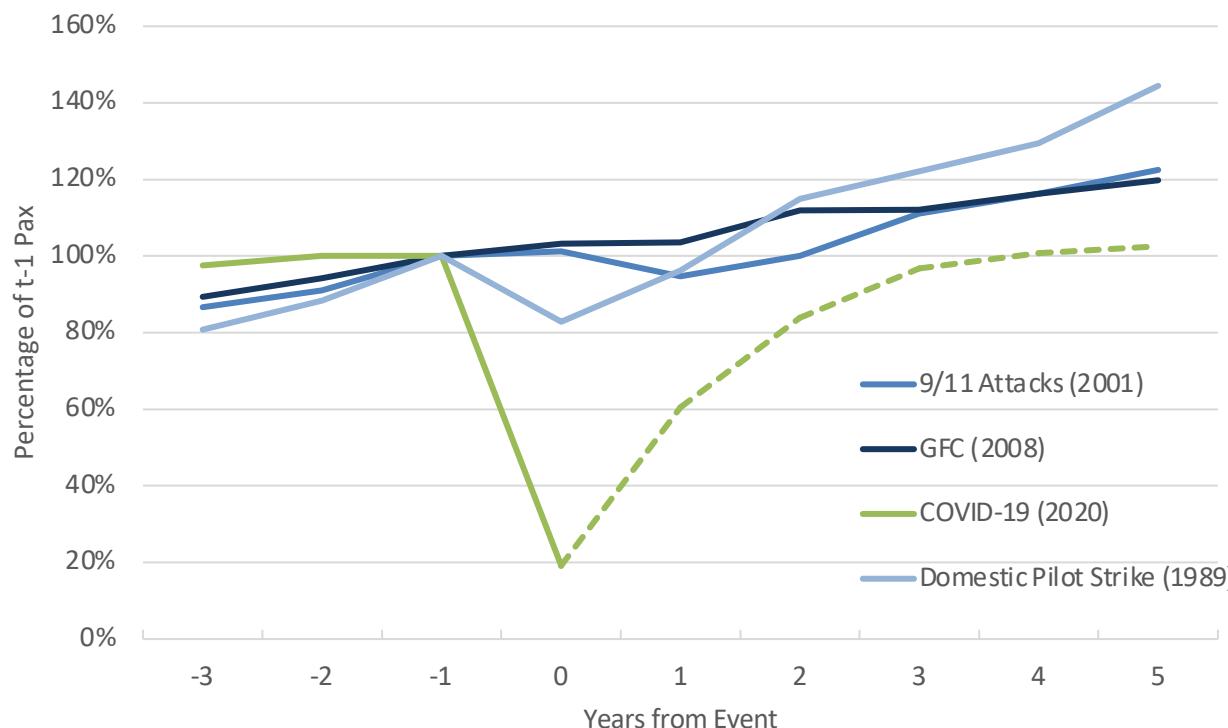
# Valuation Key DCF Inputs



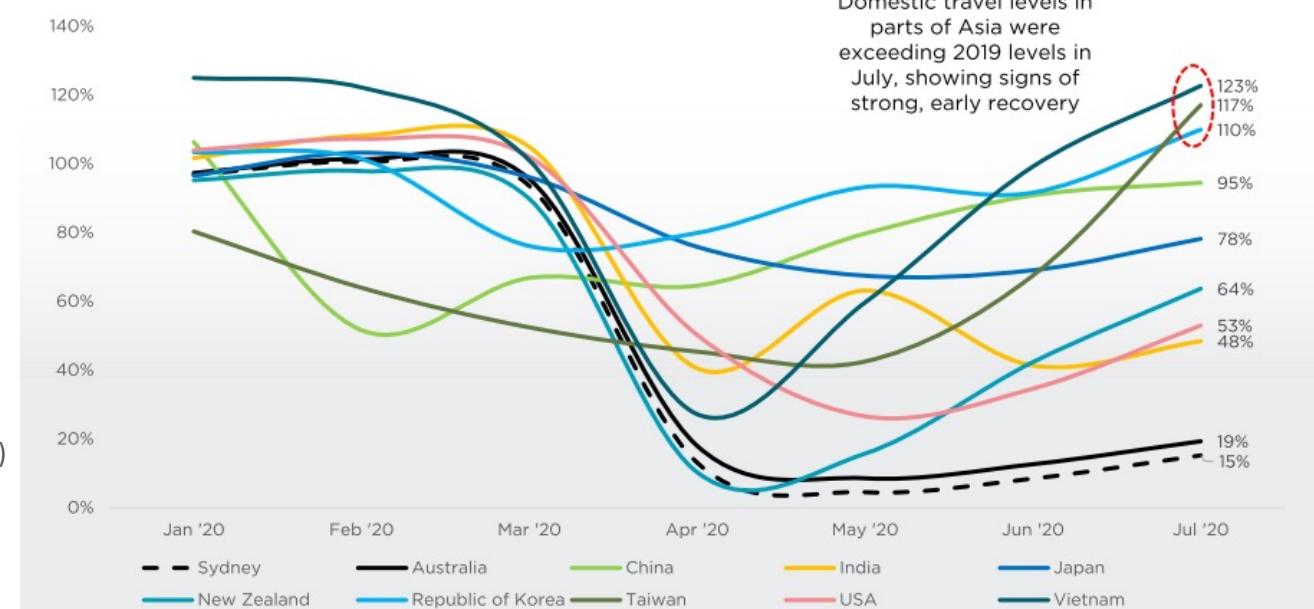
Source: Team Analysis

# Valuation Passenger Recovery Profile

**SYD Historical Event Passenger Recovery**



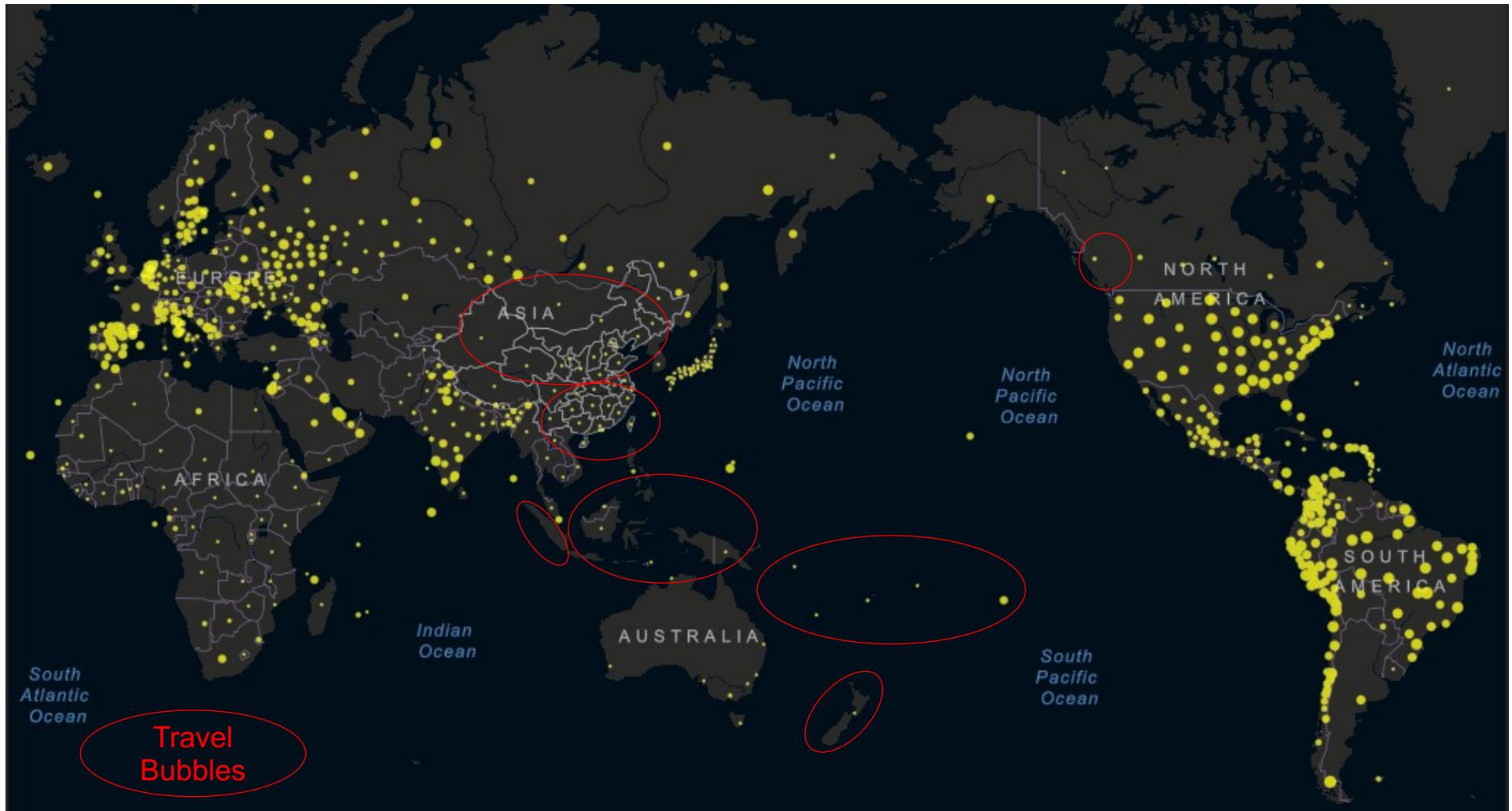
**Asia Region Domestic COVID-19 Recovery**



Source: Team Analysis, SYD 2020 Interim Report

# Valuation *Anticipated Travel Bubbles*

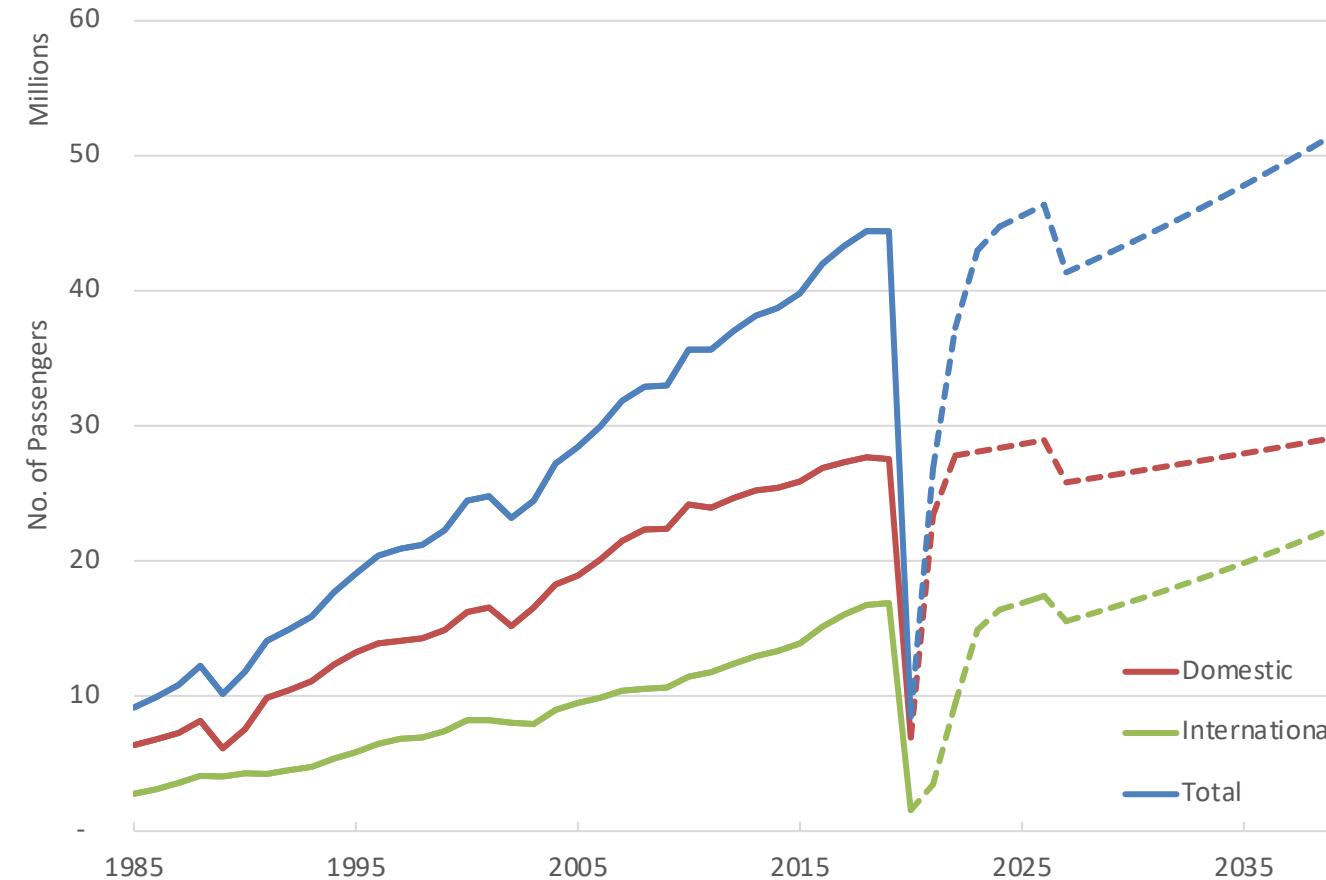
Global Covid-19 Incidence Rates



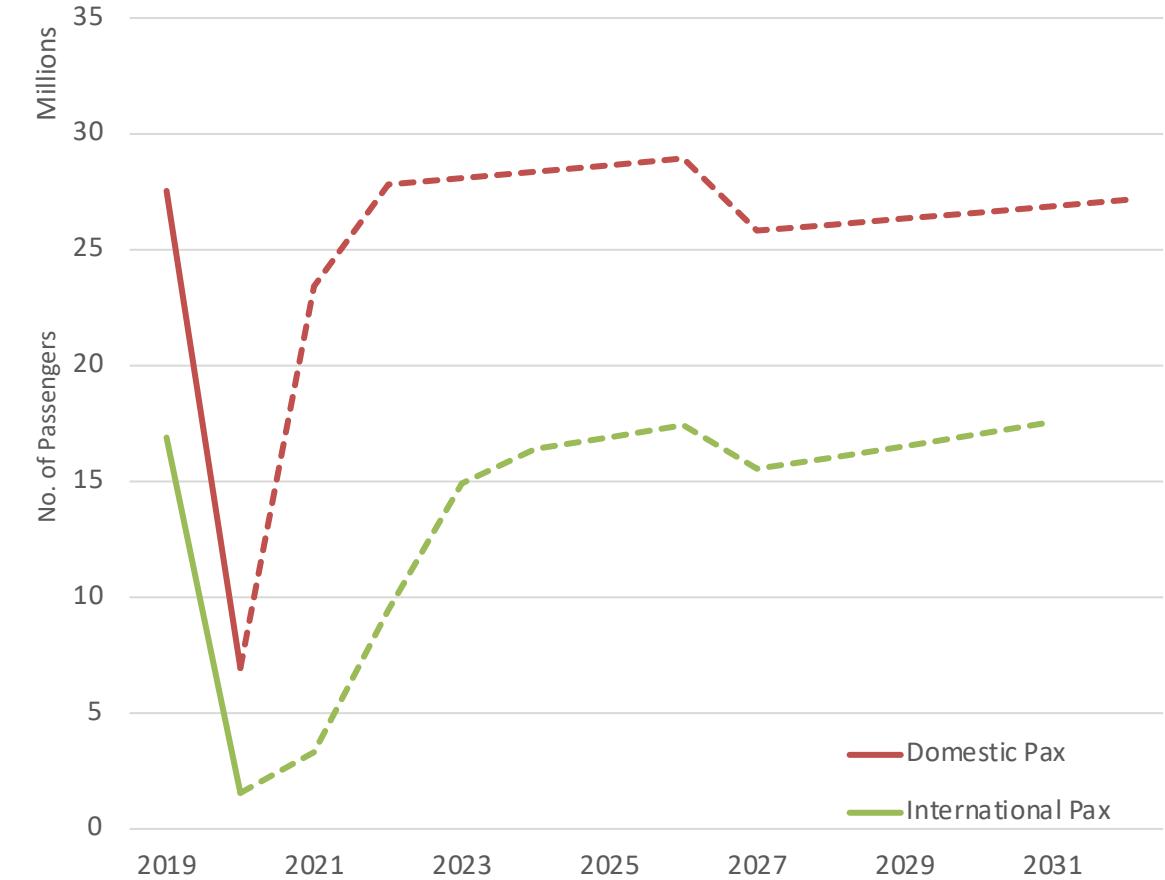
Source: Johns Hopkins University Coronavirus Research Centre

# Valuation Growth Historically on Trend

**SYD Historical Passenger Growth Resumption**



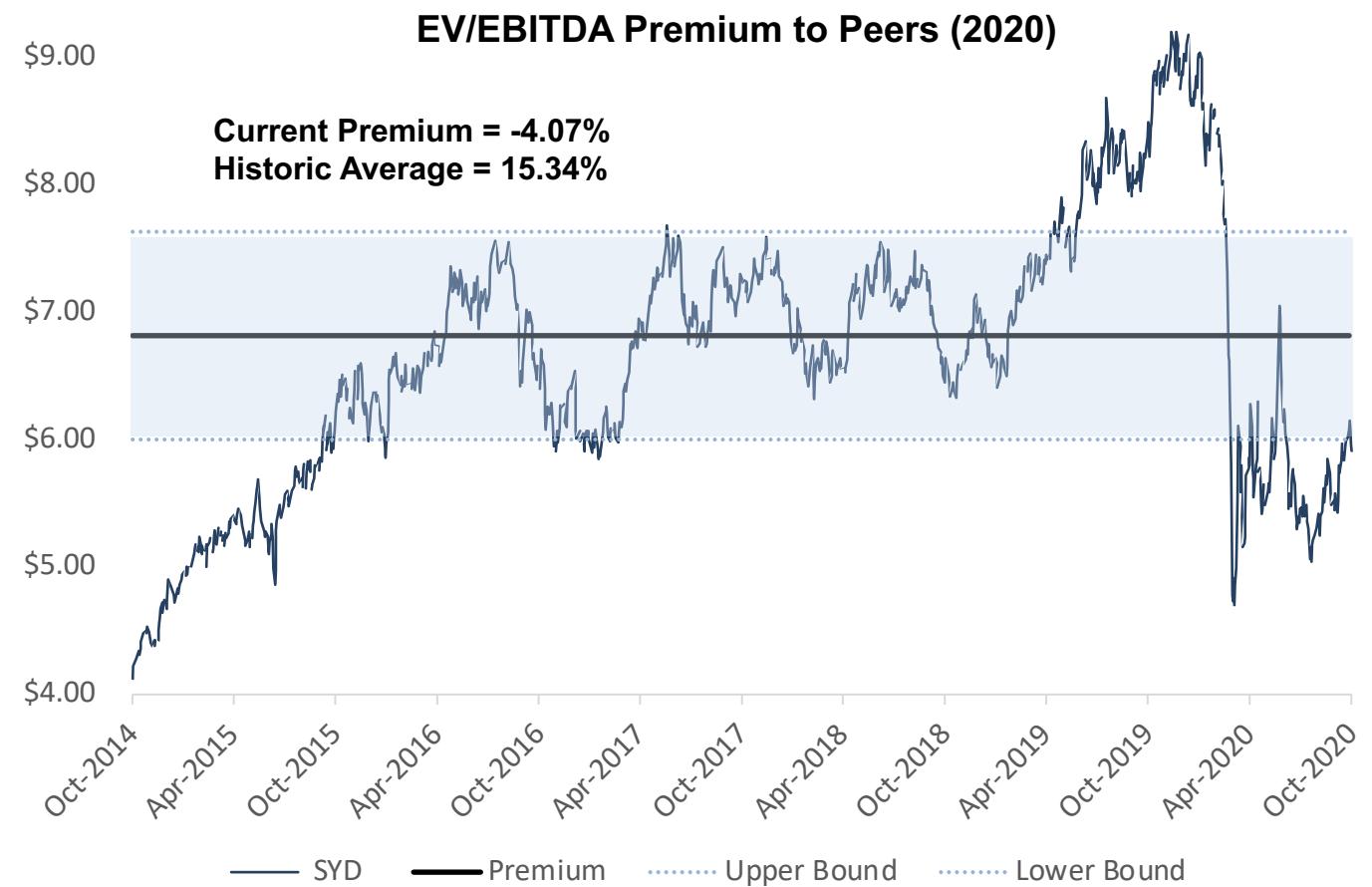
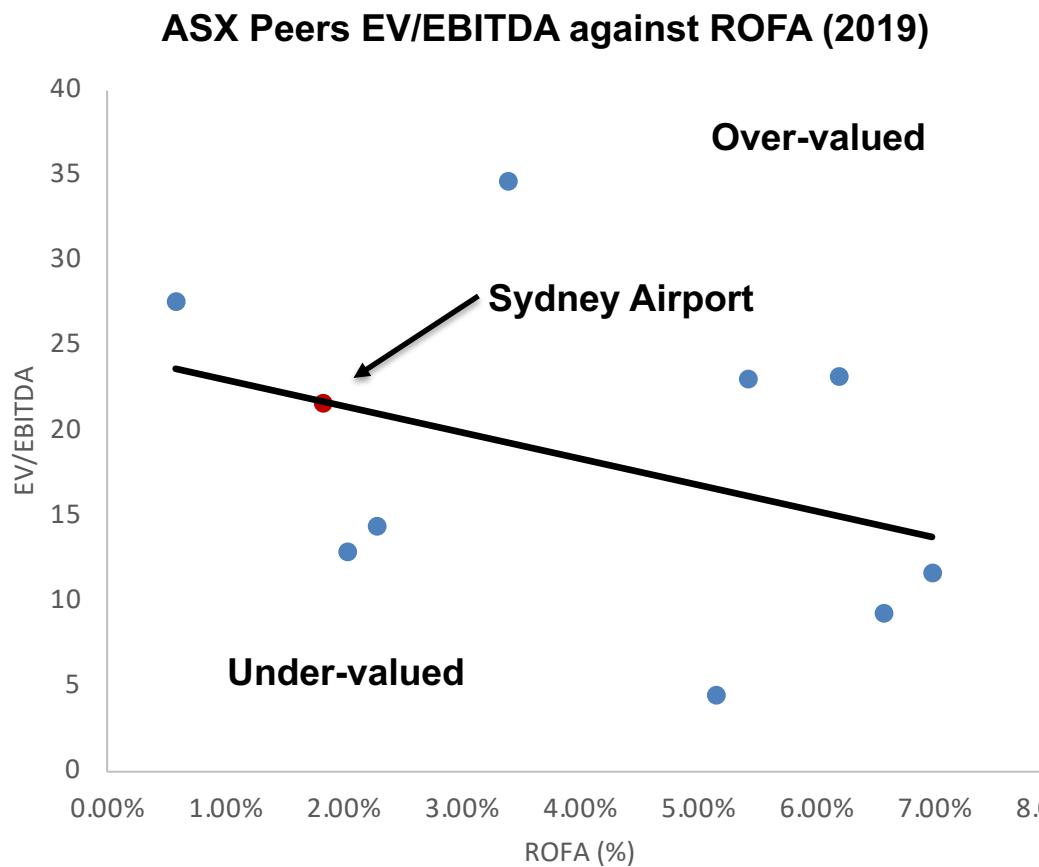
**SYD Passenger Recovery**



Source: BITRE Data and Team Analysis

# Valuation Comparable Trading Multiples

Pre-COVID: SYD Priced on Par with ASX Infrastructure Peers

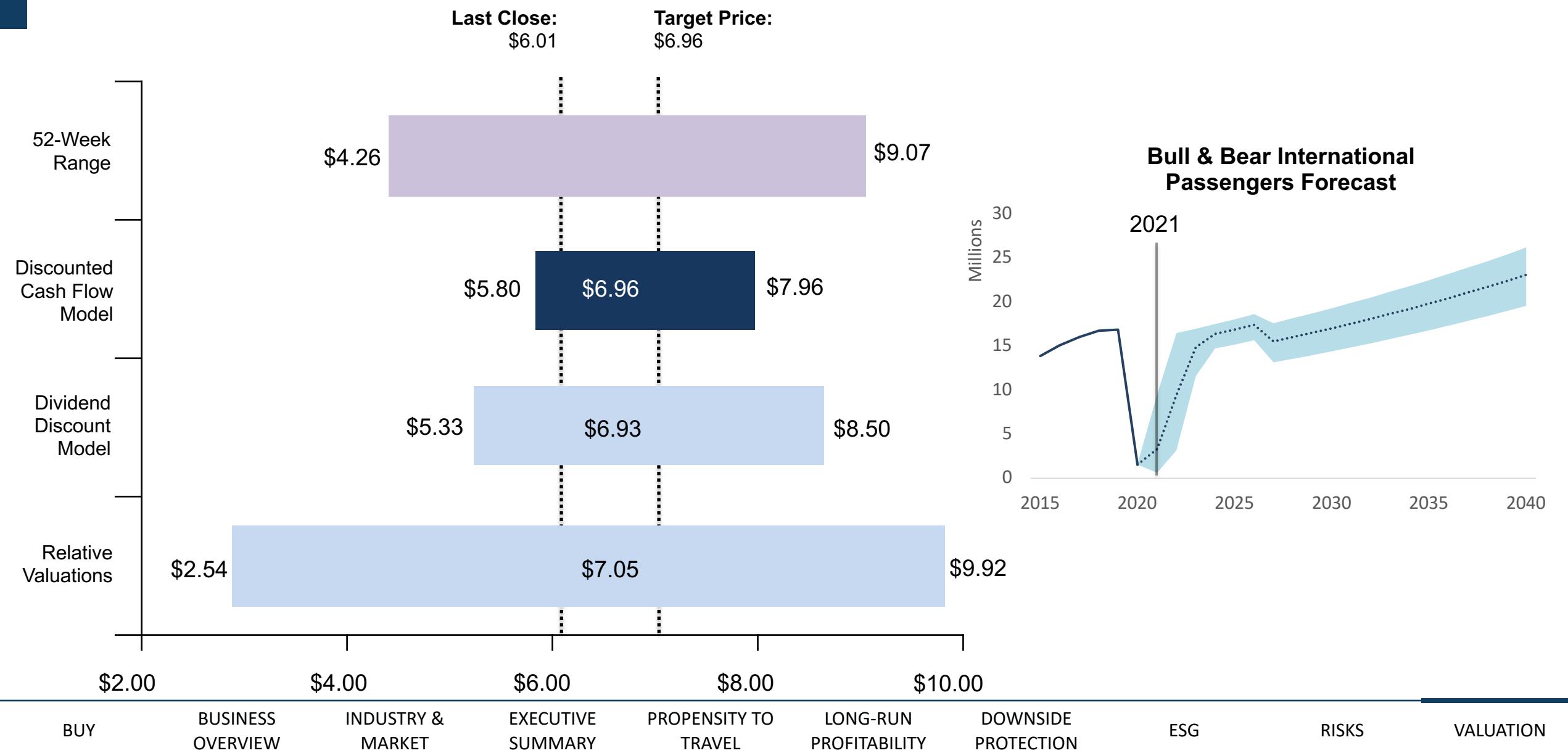


Source: Team Analysis

Post-COVID: SYD priced at discount...

BUY	BUSINESS OVERVIEW	INDUSTRY & MARKET	EXECUTIVE SUMMARY	PROPENSITY TO TRAVEL	LONG-RUN PROFITABILITY	DOWNSIDE PROTECTION	ESG	RISKS	VALUATION
-----	-------------------	-------------------	-------------------	----------------------	------------------------	---------------------	-----	-------	-----------

# Valuation Summary of Models



# Recommendation

# BUY

12-Month Target Price: **\$6.96**  
**15.80% Upside**



Propensity to  
Travel



Long-run  
Profitability



Downside  
Protection

A BUY recommendation with a 12-month target price of \$6.96, representing a 15.80% upside on the last close of \$6.01 (20/10/2020)

*It's All Up From Here*

# Appendices

[Appendix 1: Double Stapled Structure](#)

[Appendix 2: Snapshot Overview](#)

[Appendix 3: Revenue Generating Activities](#)

[Appendix 4: Shareholder Analysis](#)

[Appendix 5: SYD v WSA](#)

[Appendix 6: Tullamarine v Avalon](#)

[Appendix 7: Discounted Cash Flow Model \(DCF\)](#)

[Appendix 8: Sensitivity Analysis: DCF Model](#)

[Appendix 9: Dividend Discount Model \(DDM\)](#)

[Appendix 10: Sensitivity Analysis: Pax Charges & DDM](#)

[Appendix 11: Relative Valuations](#)

[Appendix 12: Investment Risks](#)

[Appendix 13: Aviation Industry Trends](#)

[Appendix 14: Dual Till v Single Till](#)

[Appendix 15: Profitability & Return](#)

[Appendix 16: Leverage & EPS](#)

[Appendix 17: WACC – Cost of Equity](#)

[Appendix 18: WACC – Cost of Debt](#)

[Appendix 19: 2020 – 2029 Passenger Number Recovery](#)

[Appendix 20: International Passenger Recovery](#)

[Appendix 21: Property Growth Rates](#)

[Appendix 22: Global Fiscal Stimulus](#)

[Appendix 23: ROE and ROIC](#)

[Appendix 24: Board of Directors](#)

[Appendix 25: Non-Controlling Interest](#)

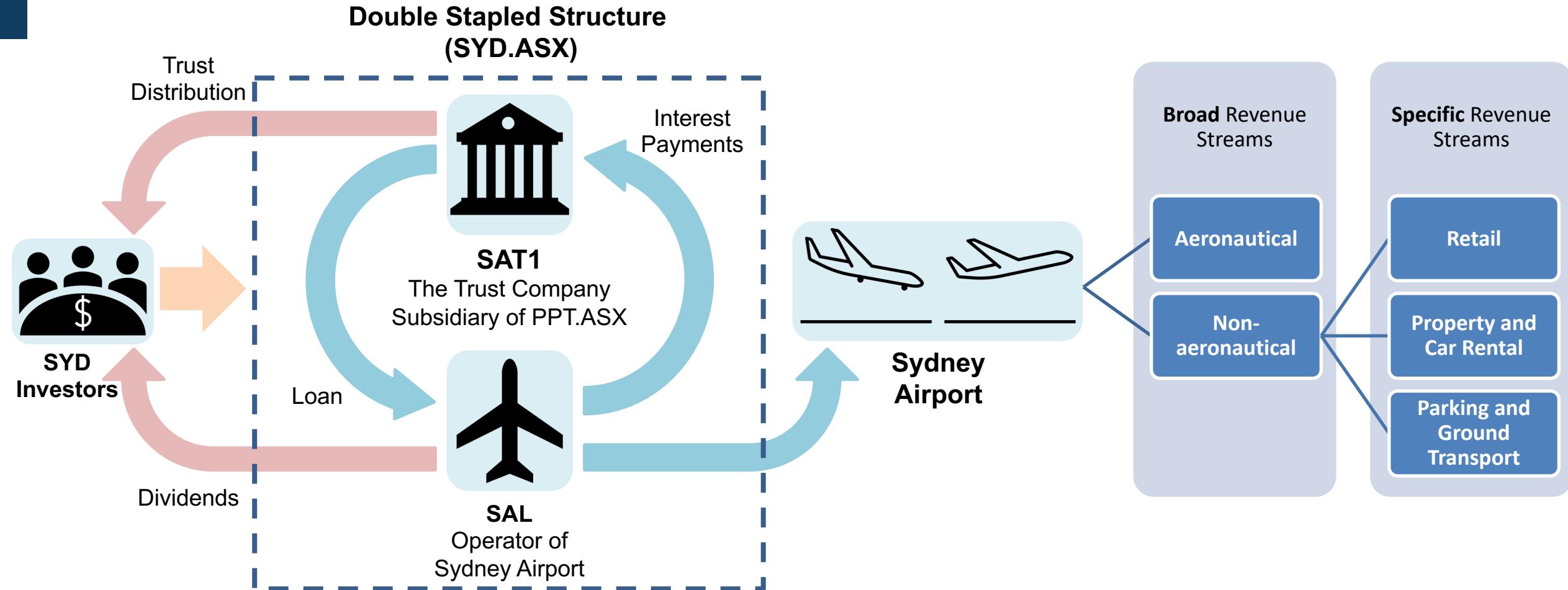
[Appendix 26: Sensitivity Analysis Non-Aero Revenues](#)

[Appendix 27: Revenue Growth](#)

[Appendix 28: Financials](#)



# Appendix 1: Double Stapled Structure



- SYD is a **Double Stapled** structure, meaning for each single unit of SAL, investors will also receive one unit of SAT1
- **SAT1**: A managed investment scheme (public unit **trust**) wholly owned by a subsidiary of Perpetual Limited (PPT.ASX). It derives income through financing the operations of Sydney Airport and is used as a flow-through entity for tax purposes
- **SAL**: Parent company and operator of Sydney Airport. There are **two** broad revenue streams, aeronautical and non-aeronautical (for which the latter has three sub streams; Retail, Property and Car Rental, and Parking and Ground Transport



## Appendix 2: Snapshot Overview

SYD.ASX Overview	
<b>Recommendation</b>	<b>BUY</b>
<b>Current Price (AUD)</b>	6.01
<b>Target Price (AUD)</b>	6.96
<b>Upside (%)</b>	15.80
<b>Market Cap (AUD) (billions)</b>	16.087
<b>Shares Outstanding (millions)</b>	2,700
<b>Free Float (%)</b>	99.04
<b>52-Week High (AUD)</b>	9.07
<b>52-Week Low (AUD)</b>	4.26
<b>EV / EBITDA (LFI)</b>	20.85
<b>Current Ratio (LFI)</b>	0.76

\*Values true as at CLOSE, 20/10/2020

Source: Thomson Reuters Eikon

# Appendix 3: Revenue Generating Activities By Stream

## Aeronautical

- PAX charges
- Runway usage
  - Per passenger
  - Maximum weight
- Airfield security
- Aircraft parking

## Retail

- Lease agreements with retail outlets
- Passenger numbers
  - As per Heinemann contract

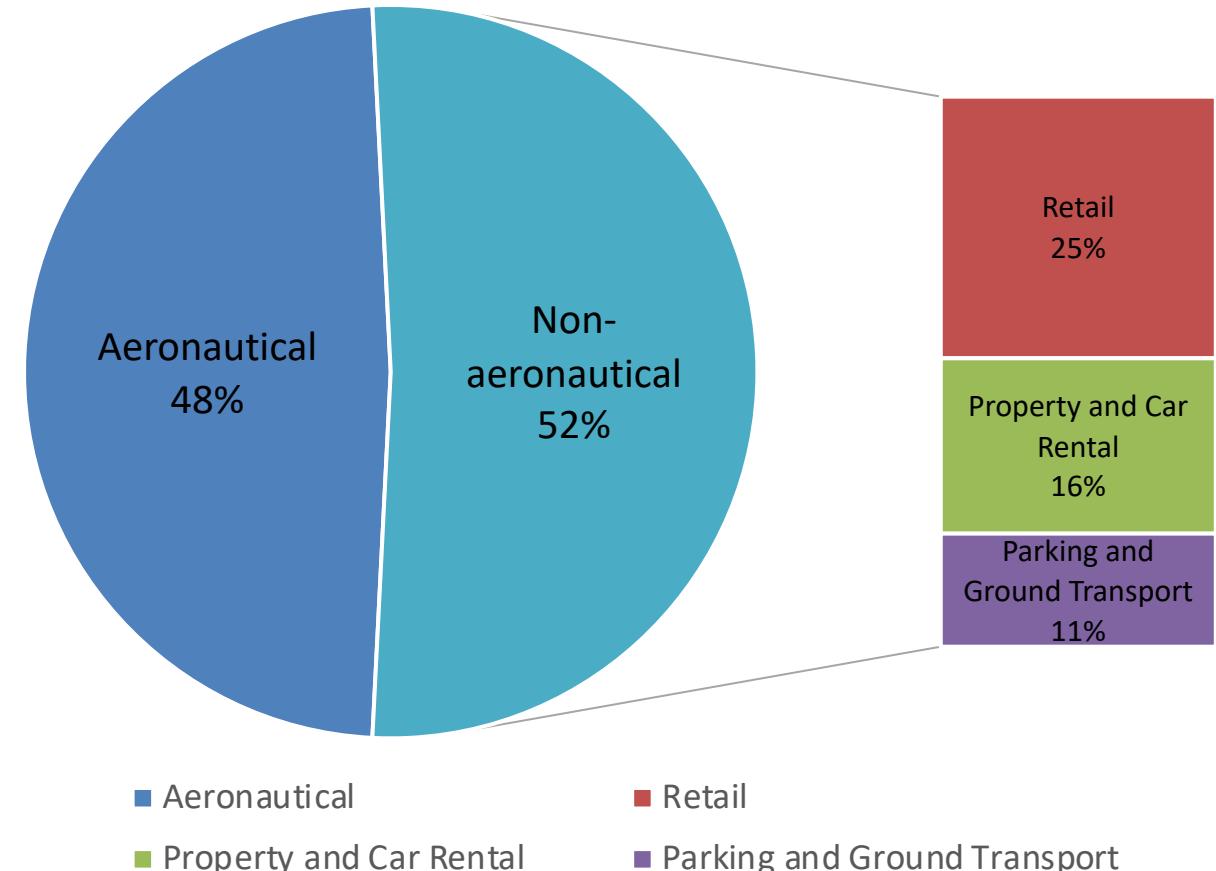
## Property and Car Rental

- Lease agreements
  - Freight hubs
  - Car rental yards
  - Airline lounges
  - Hotel operations
- Passenger numbers
  - Hotel occupancy

## Parking and Ground Transport

- Passenger numbers
  - Utilising parking
- Taxi/rideshare
- Valet parking
- Buses and transfers

**2019 Revenue Streams**





# Appendix 4: Shareholders Analysis

## Top 10 Shareholders

Company	Holding
UniSuper Limited	15.54%
The Vanguard Group, Inc.	2.32%
BlackRock, Inc.	1.75%
Caisse de dépôt et placement du Québec	1.40%
Capital Research and Management Company	1.18%
Legg Mason, Inc.	0.86%
CI Investments Inc.	0.86%
Australian Foundation Investment Company Limited	0.79%
Motor Trades Association Of Australia Superannuation Fund Pty. Limited	0.74%
Norges Bank Investment Management	0.60%

### UniSuper Limited

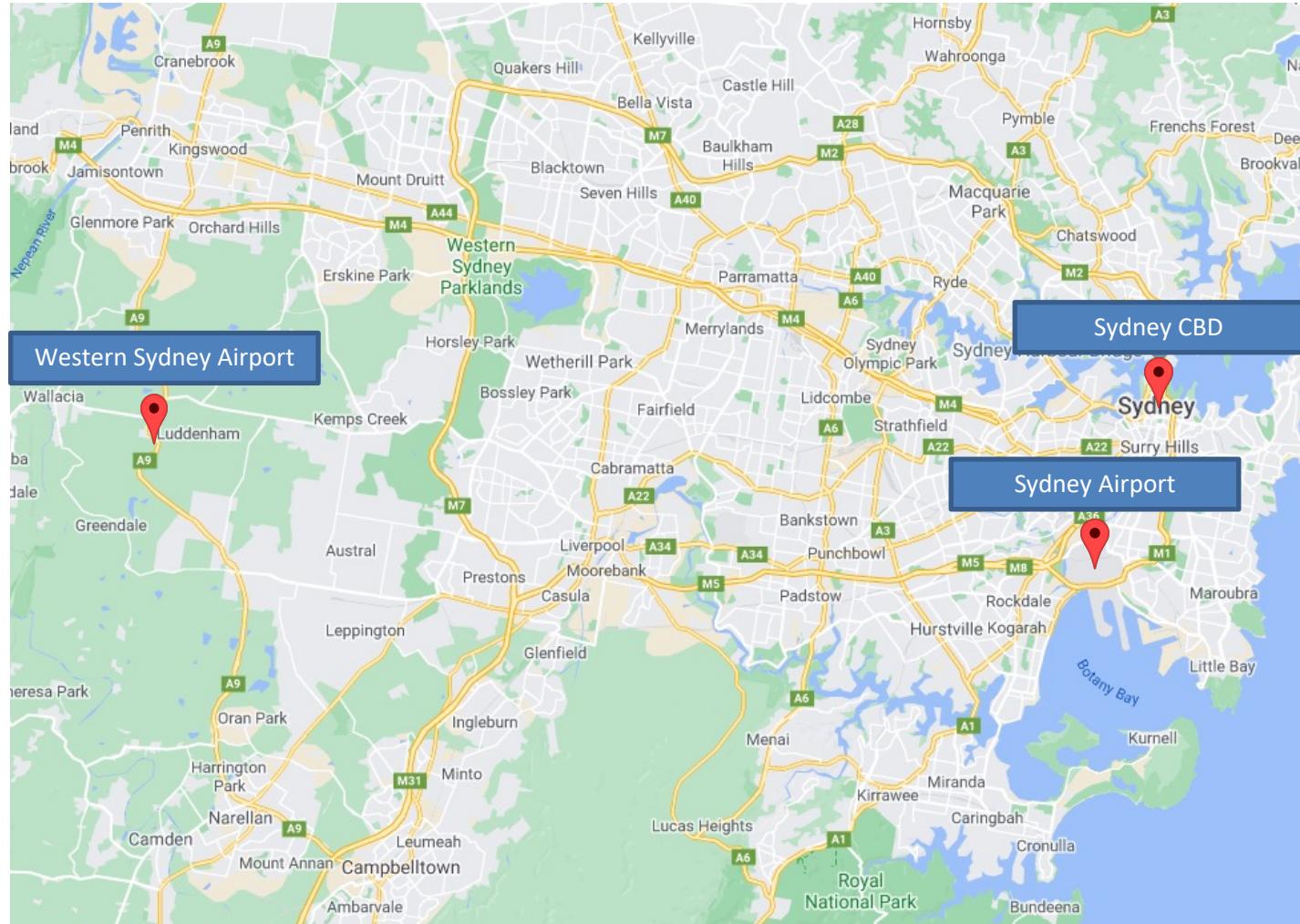
Considers SYD as a 'fortress asset' due to its monopoly-like characteristic. Their view is that it is a high-value, great long-term investment with minimal refinancing risks due to the low interest rate environment. They view Western Sydney Airport as a benefit due to the second airport allowing for more capacity to accommodate higher-margin premium airlines.

## Insider Holdings

Filer Name	Title	Total Holdings	Value (\$)
Gerber (Trevor)	Non-Executive Chairman	272,348	1,620,471
Roberts (John S H)	Director (Non-Executive)	206,384	1,227,985
Culbert (Geoffrey)	Chief Executive Officer	178,609	1,062,724
Gonski (David Michael)	Director (Non-Executive)	119,418	710,537
Ward (Stephen Patrick)	Director (Independent)	61,880	368,186
Wehby (Hugh)	Chief Operating Officer	47,669	283,631
Sherry (Ann Caroline)	Director (Non-Executive)	45,374	269,975
Fenn (Grant Anthony)	Director (Non-Executive)	40,000	238,000
Cleland (Abigail)	Director (Non-Executive)	17,913	106,582
Botham (Greg)	Chief Financial Officer	14,754	87,786
Lee (Michael John)	Former	9,541	56,769



## Appendix 5: SYD v WSA



- Located eight kilometres south of Sydney's CBD
- Used by 44.4 million passengers in 2018
- Australia's busiest airport
- Ranked 26<sup>th</sup> on SkyTrax World Airport Awards in 2020
- Three runways
- Accounts for 40% of international services, 43% of domestic services and 45% of international air freight in Australia

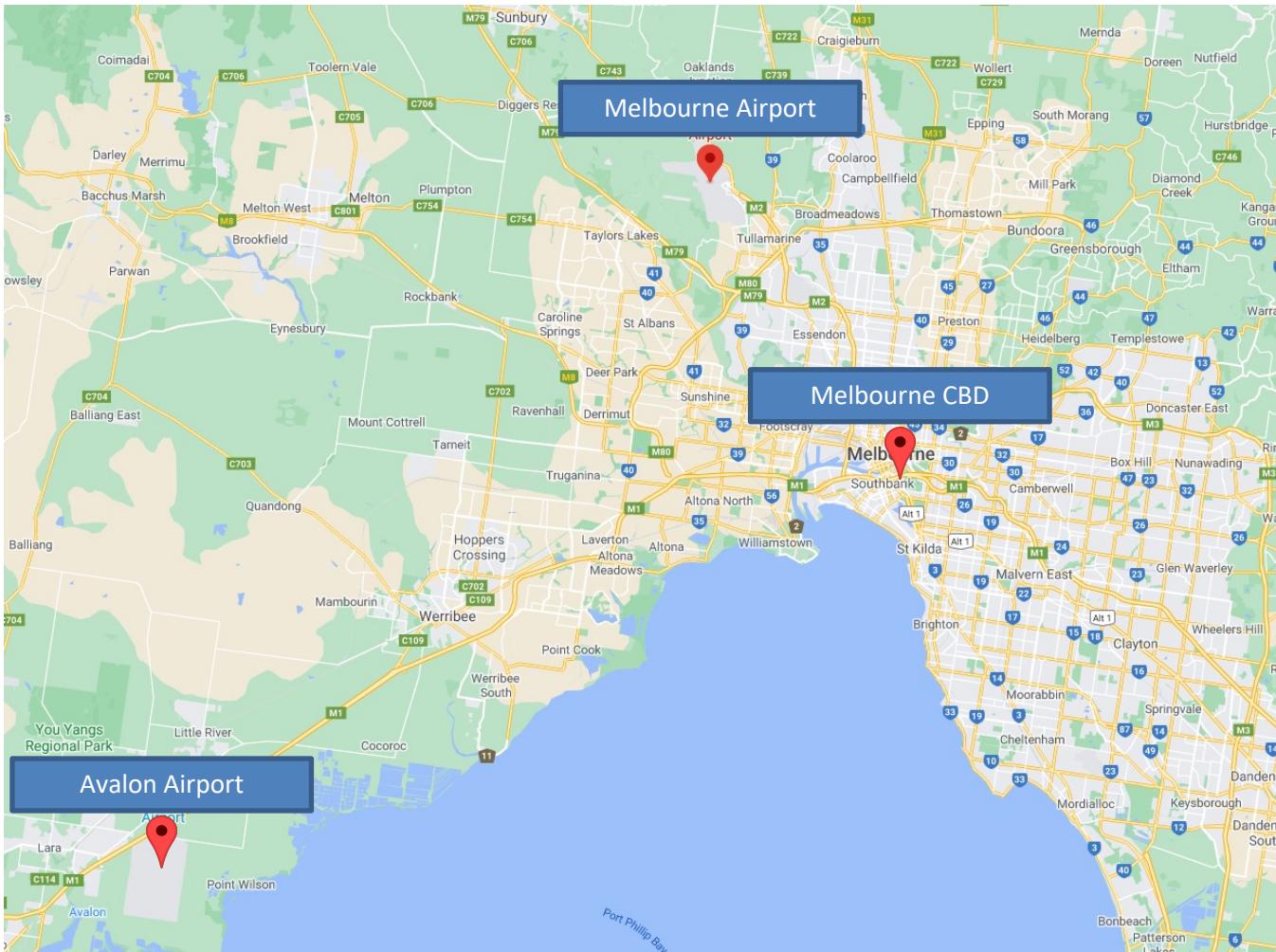


- Located 44 kilometres west of Sydney's CBD
- Estimated 50min drive from Sydney's CBD
- Initial capacity of 10 million passengers in 2026
- One runway until 2040 - 2050



# Appendix 6: Tullamarine vs Avalon

**SYD**  
Sydney's Airport



- Built in 1970
  - Used by 37.4 million passengers in FY18/19
  - Australia's second busiest airport
  - Ranked 17<sup>th</sup> on SkyTrax World Airport Awards in 2020
  - 17 kilometres north of Melbourne's CBD

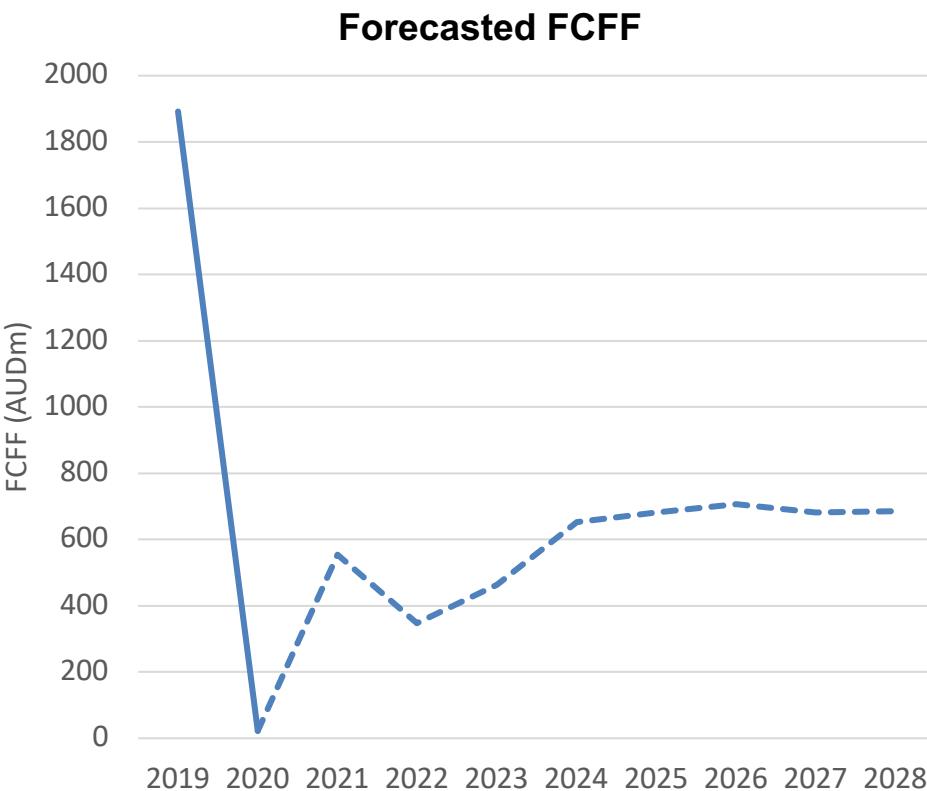


# **Avalon Airport**

- Built in 1952
  - Used by 1 million passengers in FY18/19
  - Capacity of 20 million passengers annually
  - One runway
  - 55 kilometres south-west of Melbourne's CBD



# Appendix 7: Discounted Cash Flow Model (DCF)



DISCOUNTED CASHFLOW		KEY ASSUMPTIONS	
2021 - 2028 FCFF	\$ 4,770.49	Beta	0.88
2029 - 2097 FCFF @ 2.9% growth rate	\$ 150,712.27	Cost of Equity	4.86%
WACC	3.97%	Cost of Debt	3.60%
PV of 2021 - 2028 FCFF	\$ 3,963.98	WACC	3.97%
PV of 2029 - 2097 FCFF	\$ 24,616.24	FCFF Long term growth rate	2.90%
Enterprise Value	\$ 28,580.22	Long Term Domestic Pax Growth	1.00%
MV of Debt	\$ 9,790.00	Domestic Pax Charges (\$/pax)	0.17%
SYD Valuation	\$ 18,790.22	Long Term International Pax Growth	3.10%
No. Shares (m)	2700	International Pax Charges (\$/pax)	2.84%
SYD Share Price	\$ 6.96	Retail Fixed Lease	5.00%
		Property and Ground Transport Lease	3.91%



# Appendix 8: Sensitivity Analysis: DCF Model

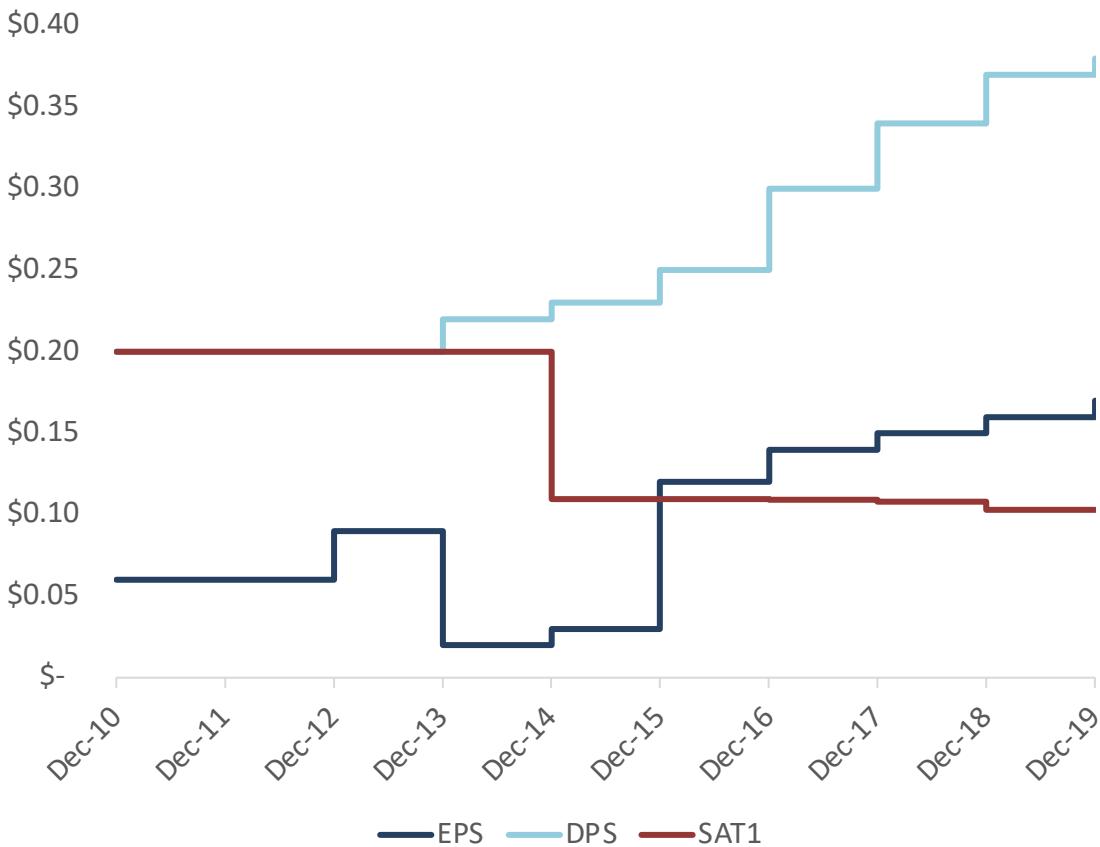
		Terminal Growth Rate								
		1.90%	2.15%	2.40%	2.65%	2.90%	3.15%	3.40%	3.65%	3.90%
Cost of Equity	3.96%	\$5.85	\$6.44	\$7.10	\$7.83	\$8.63	\$9.53	\$10.53	\$11.65	\$12.89
	4.21%	\$5.44	\$5.99	\$6.60	\$7.28	\$8.03	\$8.86	\$9.79	\$10.82	\$11.98
	4.46%	\$5.05	\$5.57	\$6.14	\$6.77	\$7.47	\$8.24	\$9.10	\$10.06	\$11.13
	4.71%	\$4.69	\$5.17	\$5.70	\$6.29	\$6.96	\$7.66	\$8.46	\$9.35	\$10.34
	4.96%	\$4.35	\$4.80	\$5.30	\$5.84	\$6.45	\$7.12	\$7.86	\$8.69	\$9.60
	5.21%	\$4.04	\$4.46	\$4.92	\$5.43	\$5.99	\$6.61	\$7.30	\$8.07	\$8.92
	5.46%	\$3.74	\$4.13	\$4.56	\$5.04	\$5.56	\$6.14	\$6.78	\$7.50	\$8.29

		Terminal Growth Rate								
		1.90%	2.15%	2.40%	2.65%	2.90%	3.15%	3.40%	3.65%	3.90%
Weighted Average Cost of Capital	2.97%	\$7.74	\$8.53	\$9.40	\$10.37	\$11.46	\$12.67	\$14.02	\$15.53	\$17.22
	3.22%	\$6.85	\$7.54	\$8.31	\$9.17	\$10.12	\$11.18	\$12.36	\$13.68	\$15.16
	3.47%	\$6.06	\$6.67	\$7.35	\$8.10	\$8.94	\$9.87	\$10.91	\$12.07	\$13.36
	3.72%	\$5.35	\$5.89	\$6.49	\$7.16	\$7.90	\$8.72	\$9.63	\$10.64	\$11.78
	3.97%	\$4.71	\$5.20	\$5.73	\$6.32	\$6.96	\$7.69	\$8.50	\$9.39	\$10.38
	4.22%	\$4.15	\$4.58	\$5.05	\$5.57	\$6.15	\$6.79	\$7.50	\$8.28	\$9.16
	4.47%	\$3.64	\$4.02	\$4.44	\$4.90	\$5.42	\$5.98	\$6.61	\$7.30	\$8.07
	4.72%	\$3.18	\$3.52	\$3.89	\$4.31	\$4.76	\$5.26	\$5.82	\$6.43	\$7.11
	4.97%	\$2.76	\$3.07	\$3.40	\$3.77	\$4.18	\$4.62	\$5.12	\$5.66	\$6.26

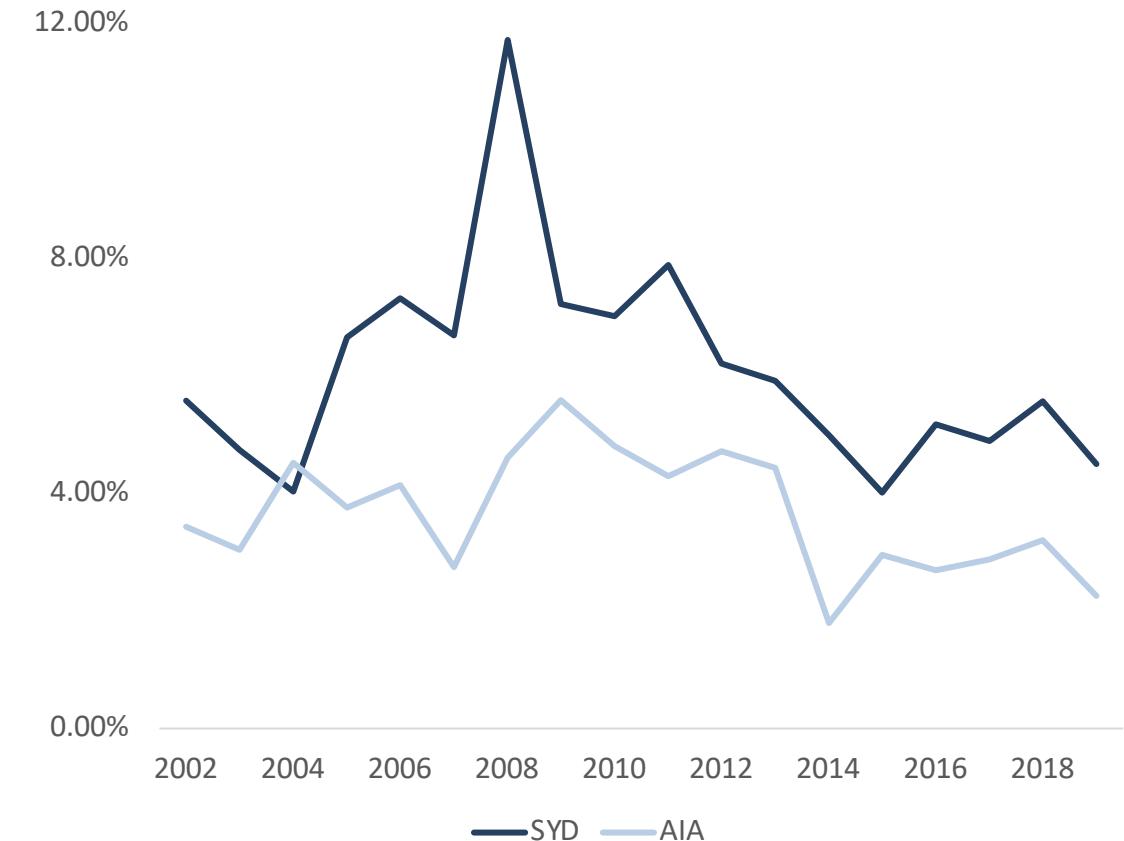


# Appendix 9: Dividend Discount Model (DDM)

**SYD's Payout (2010 – 2019)**



**SYD's Dividend Yield vs AIA (2002 – 2019)**



**Dividend Growth Rate in Perpetuity**  
1%

**Payout Ratio**  
2.2

**Discount Rate**  
4.706%



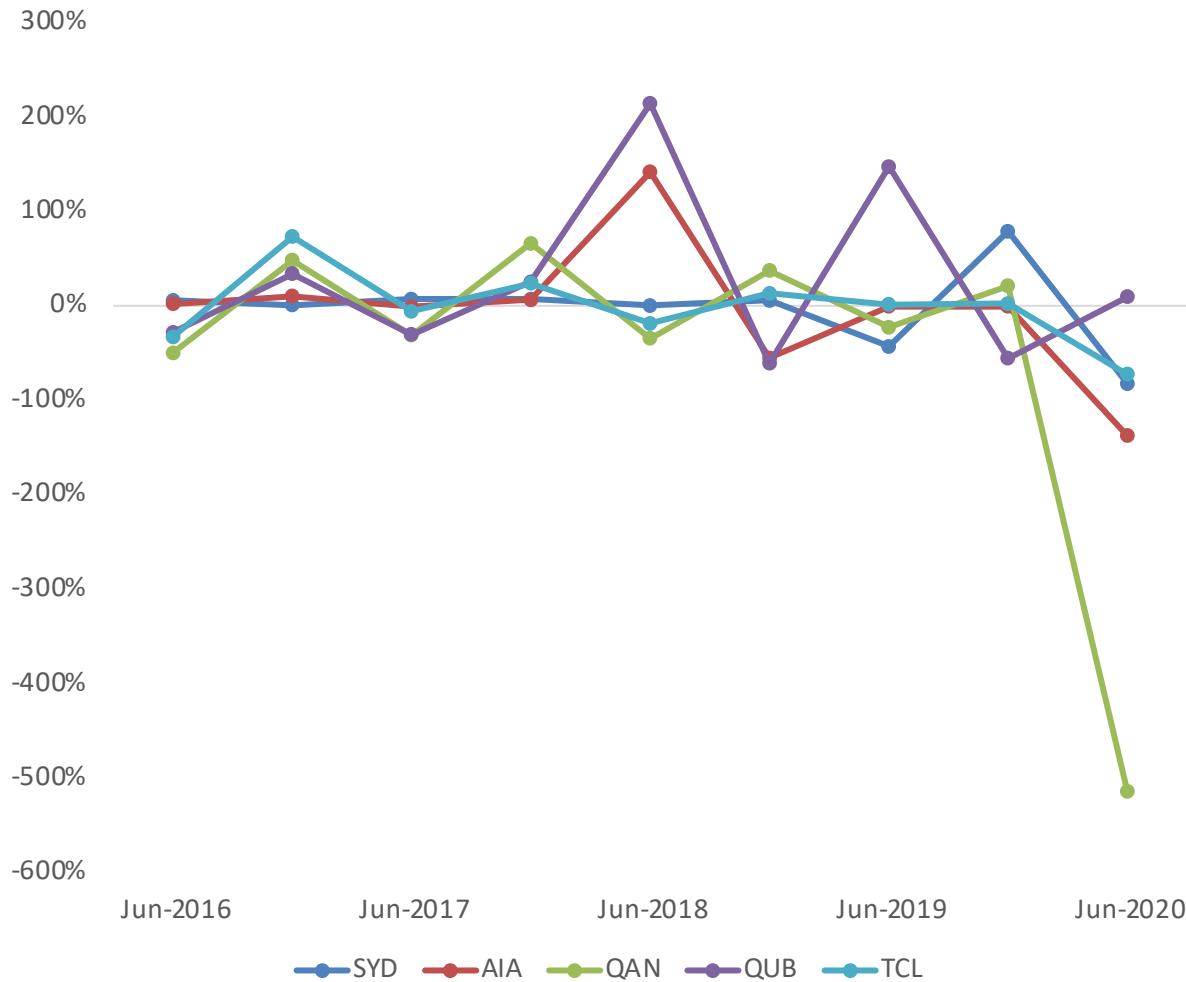
# Appendix 10: Sensitivity Analysis: Pax Charges & DDM

		Growth International Pax Charges								
		1.84%	2.34%	2.84%	3.34%	3.84%				
Cost of Equity	Growth	0.00%	\$ 6.64	\$ 6.79	\$ 6.94	\$ 7.09	\$ 7.25			
	Domestic	0.07%	\$ 6.65	\$ 6.80	\$ 6.95	\$ 7.10	\$ 7.26			
	Pax	0.17%	\$ 6.67	\$ 6.81	\$ 6.96	\$ 7.11	\$ 7.27			
	Charges	0.27%	\$ 6.68	\$ 6.82	\$ 6.96	\$ 7.13	\$ 7.29			
	0.37%	\$ 6.69	\$ 6.84	\$ 6.99	\$ 7.14	\$ 7.30				
		Terminal Growth Rate								
Discount Factor		0.00%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
	3.71%	\$7.07	\$7.45	\$7.90	\$8.42	\$9.03	\$9.77	\$10.68	\$11.82	\$13.29
	3.96%	\$6.66	\$6.99	\$7.37	\$7.81	\$8.32	\$8.93	\$9.66	\$10.56	\$11.69
	4.21%	\$6.30	\$6.59	\$6.92	\$7.29	\$7.73	\$8.23	\$8.83	\$9.56	\$10.44
	4.46%	\$5.98	\$6.23	\$6.52	\$6.84	\$7.21	\$7.64	\$8.14	\$8.74	\$9.45
	4.71%	\$5.69	\$5.92	\$6.17	\$6.45	\$6.77	\$7.14	\$7.56	\$8.05	\$8.64
	4.96%	\$5.44	\$5.63	\$5.85	\$6.10	\$6.38	\$6.70	\$7.06	\$7.48	\$7.97
	5.21%	\$5.20	\$5.38	\$5.57	\$5.79	\$6.04	\$6.31	\$6.63	\$6.98	\$7.40
	5.46%	\$4.99	\$5.15	\$5.32	\$5.52	\$5.73	\$5.97	\$6.25	\$6.55	\$6.91
	5.71%	\$4.79	\$4.94	\$5.09	\$5.27	\$5.46	\$5.67	\$5.91	\$6.18	\$6.48



# Appendix 11: Relative Valuations

EBITDA Growth of SYD vs Peers



Relative Valuation (Airports) – Base Case

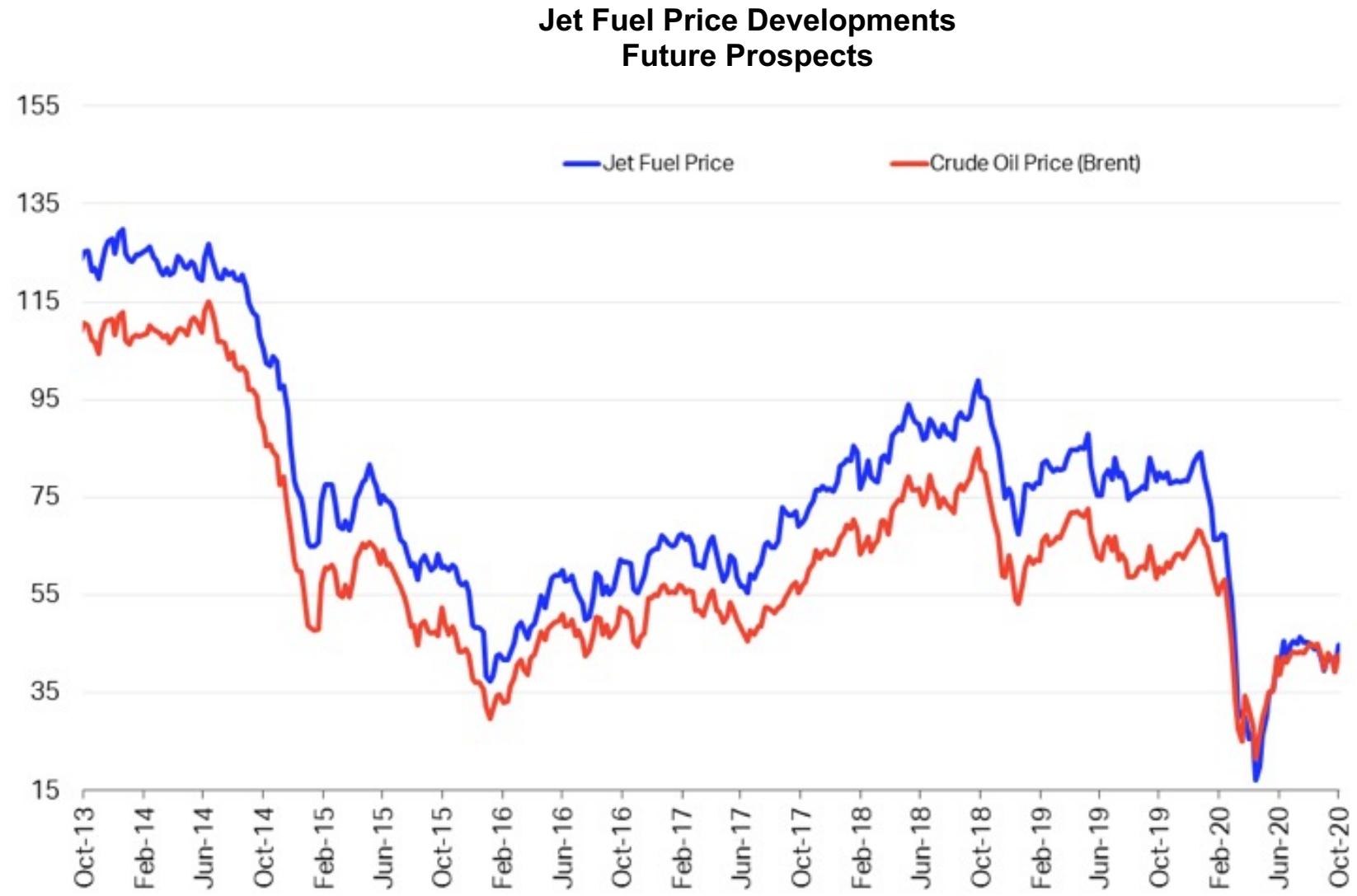
	EV/EBITDA	EV/Sales	P/CF
Sydney Airport	20.85	20.83	33.57
Auckland Airport	53.29	32.61	75.37
Frankfurt Airport	18.53	3.85	8.06
Paris Airport	23.01	5.09	14.82
Beijing Airport	10.72	2.99	8.82
Thailand Airport	163.55	31.80	163.01
Average	25.28	13.07	28.13
Premium	0.37	1.02	0.64
Adjusted	34.73	26.38	46.02
	EBITDA	Revenue	Cash Flow
Forecasted 2021	\$ 839.49	\$ 1,099.51	\$ 0.32
	EV	EV	Include Dep & Amor
MV of debt	\$ 29,156.54	\$ 29,005.18	\$ 0.15
No. of Shares	\$ 9,790.00	\$ 9,790.00	\$ 0.46
Price	2700.00		
Weightings	\$ 7.17	\$ 7.12	\$ 21.31
Final Price	\$ 7.14		0.00



# Appendix 12: Investment Risks

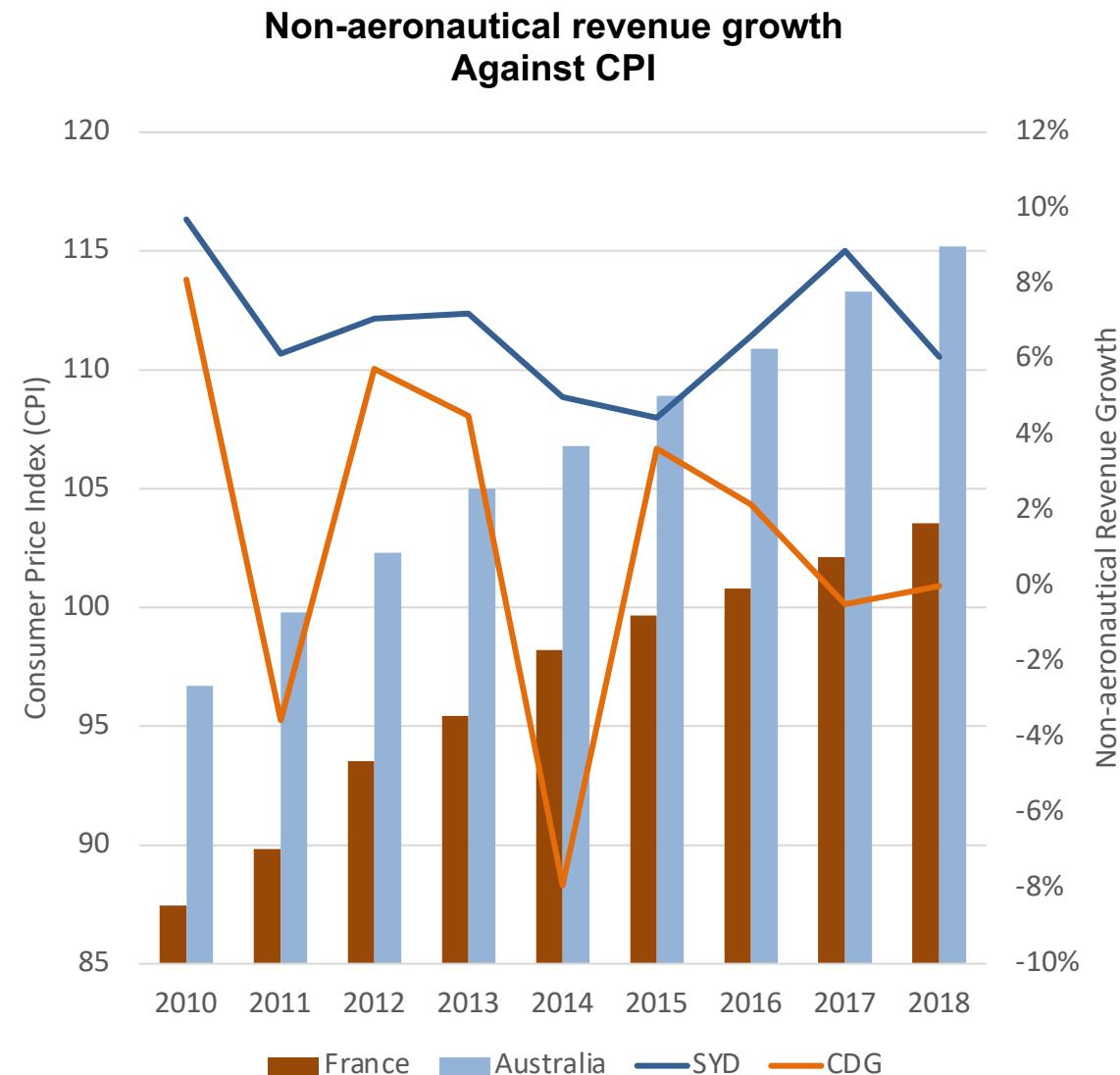
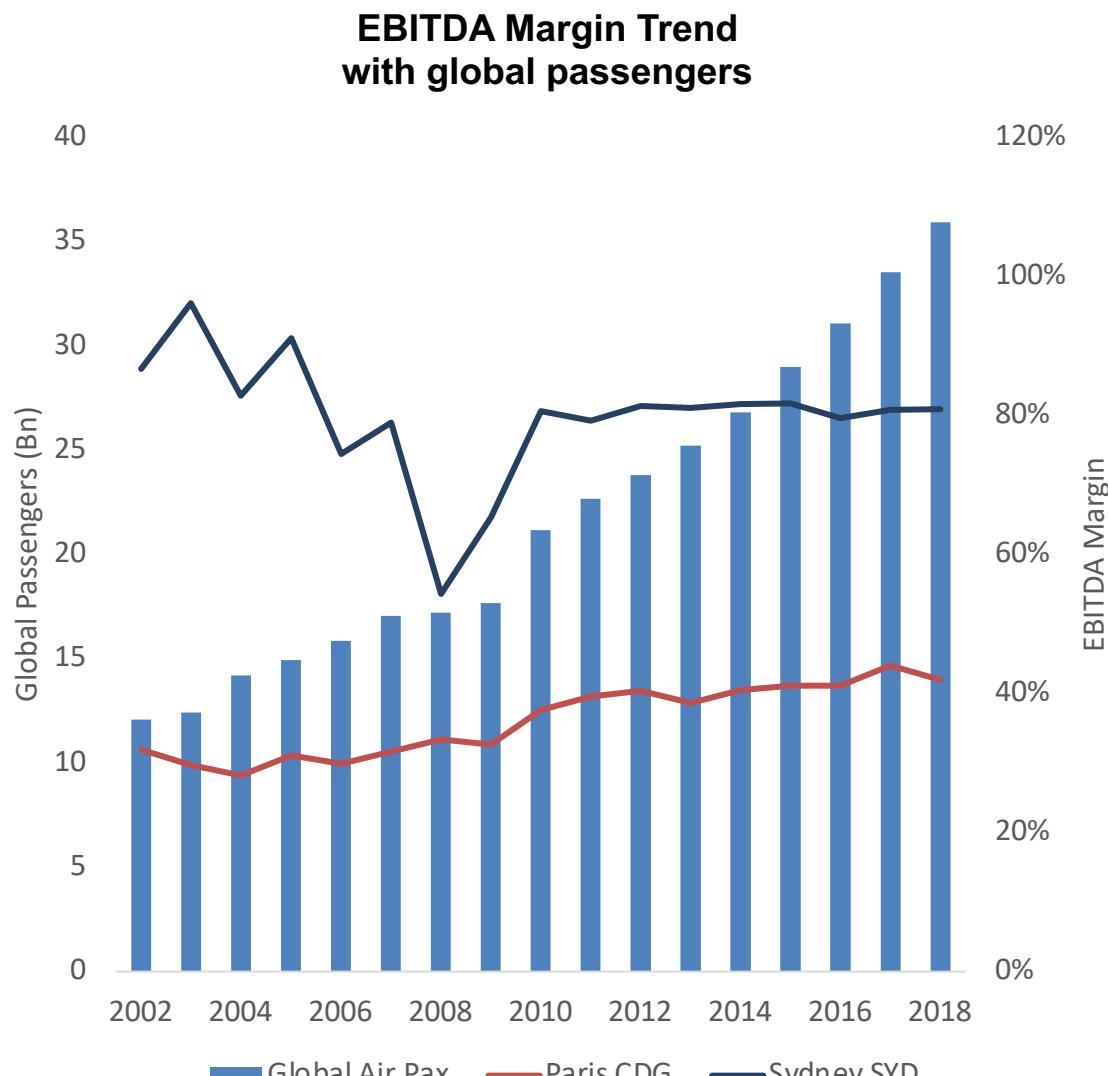
		Risk	Reason	Mitigation
Likelihood	HIGH	V1 Valuation	<ul style="list-style-type: none"> <li>Operates in a market where price pressures from industry competition do not impact on the pricing structure</li> </ul>	Ensure we use the most accurate values as possible in our model with all assumptions justified through research
	MEDIUM	S1 Sector	<ul style="list-style-type: none"> <li>Historically, vaccine developments for SARS and MERS had not seen success</li> <li>Strict government regulations around air travel have forced into a conservative approach moving forward</li> </ul>	Be willing and able to meet all government regulations in the event air travel does return (in the form of a travel-bubble or otherwise)
	LOW	F1 Firm	<ul style="list-style-type: none"> <li>Due for completion in 2026, a second airport in Sydney will add a new competitor to the market</li> <li>WSA will have no operating curfews due to the location away from the city centre</li> </ul>	Use WSA as an opportunity to reposition themselves and target a new market (high end passengers)
	HIGH	O1 Operational	<ul style="list-style-type: none"> <li>Currently 'land-locked'</li> <li>Unable to add further runways to their operations and are limited for space when increasing their facilities</li> </ul>	SYD would need to gain government approval to increase their movement cap of 80 per hour
	LOW	O2 Operational	<ul style="list-style-type: none"> <li>Operations are strictly regulated to reduce environmental and social disruption</li> <li>Breaches result in financial penalties and/or termination of the lease and operational privileges</li> </ul>	Comply to all government regulations
IMPACT		O3 Operational	<ul style="list-style-type: none"> <li>Airports serviced by a small number of airlines are more exposed to the impact of disruptive events</li> <li>54.8 percent of SYD's total passenger traffic is generated two airlines</li> <li>Indicates a small number of airlines generating a significant portion of aeronautical revenue</li> </ul>	SYD would need to diversify their airline concentration to accommodate multiple airlines to lower the reliance of a single airline
[V1] Model Assumptions and Sensitivity		[O1] Capacity Constraints		
[S1] COVID-19 Pandemic		[O2] Regulatory Risk (ESG)		
[F1] Western Sydney Airport		[O3] Airline Concentration		

# Appendix 13: Aviation Industry Trends





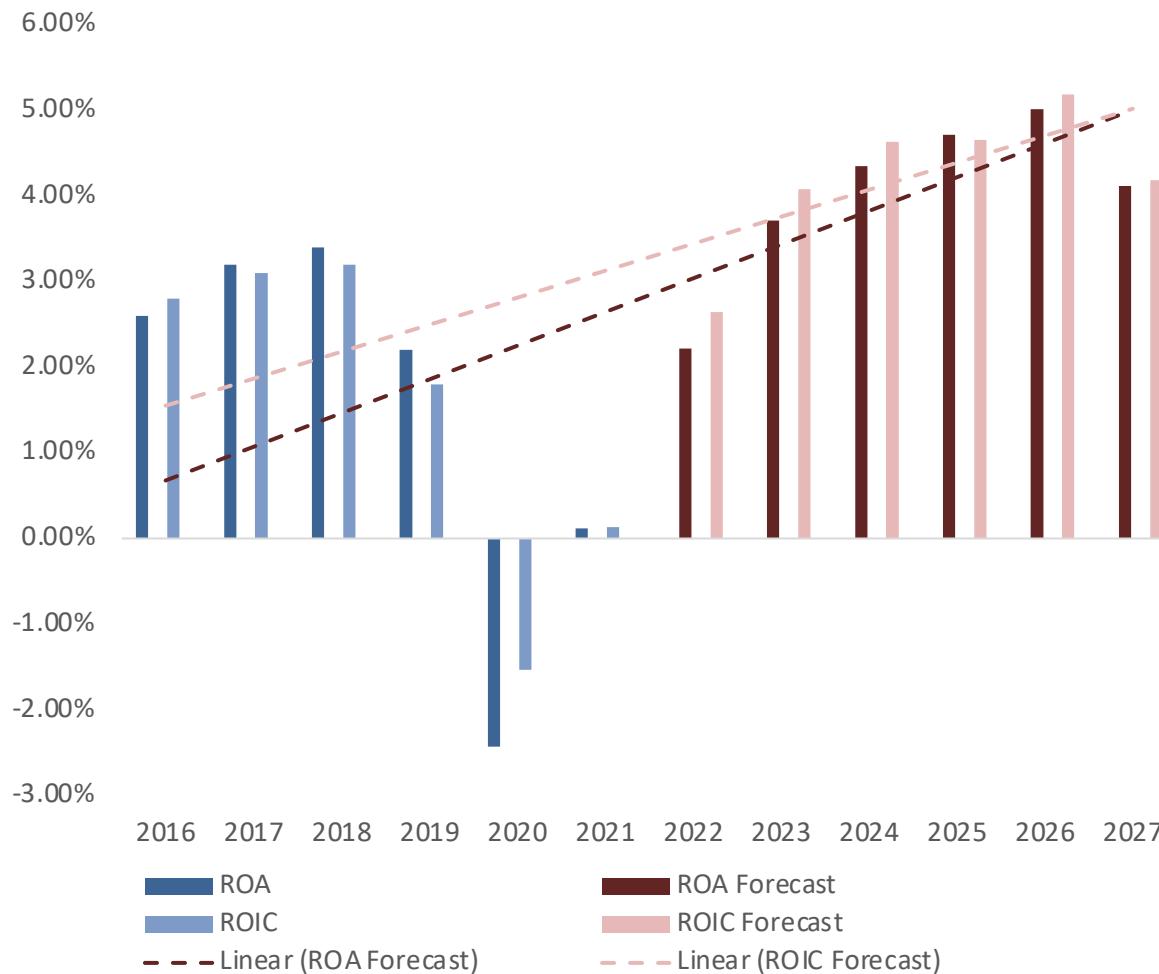
# Appendix 14: Dual Till vs Single Till



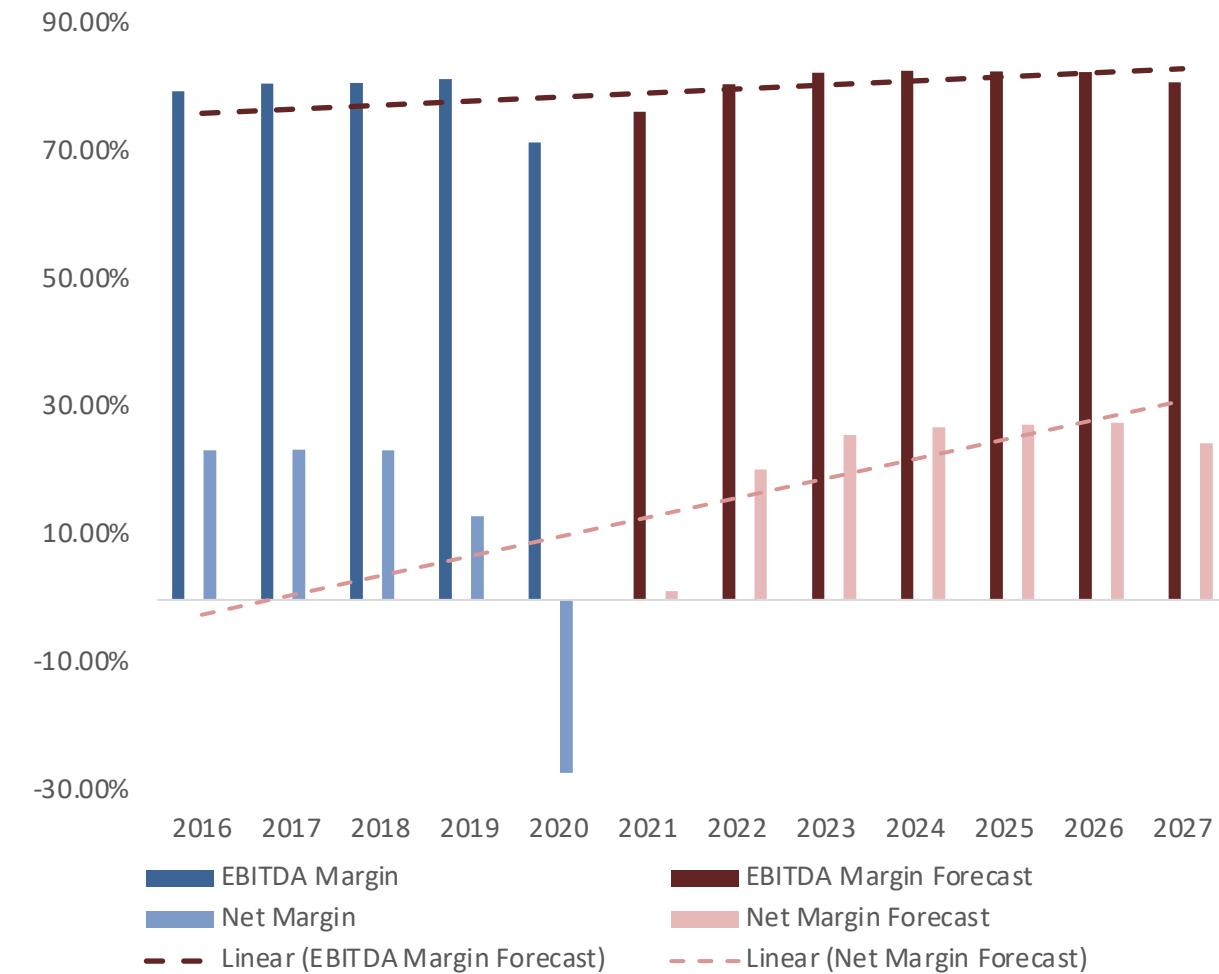


# Appendix 15: Profitability & Return

**SYD's ROA & ROIC**

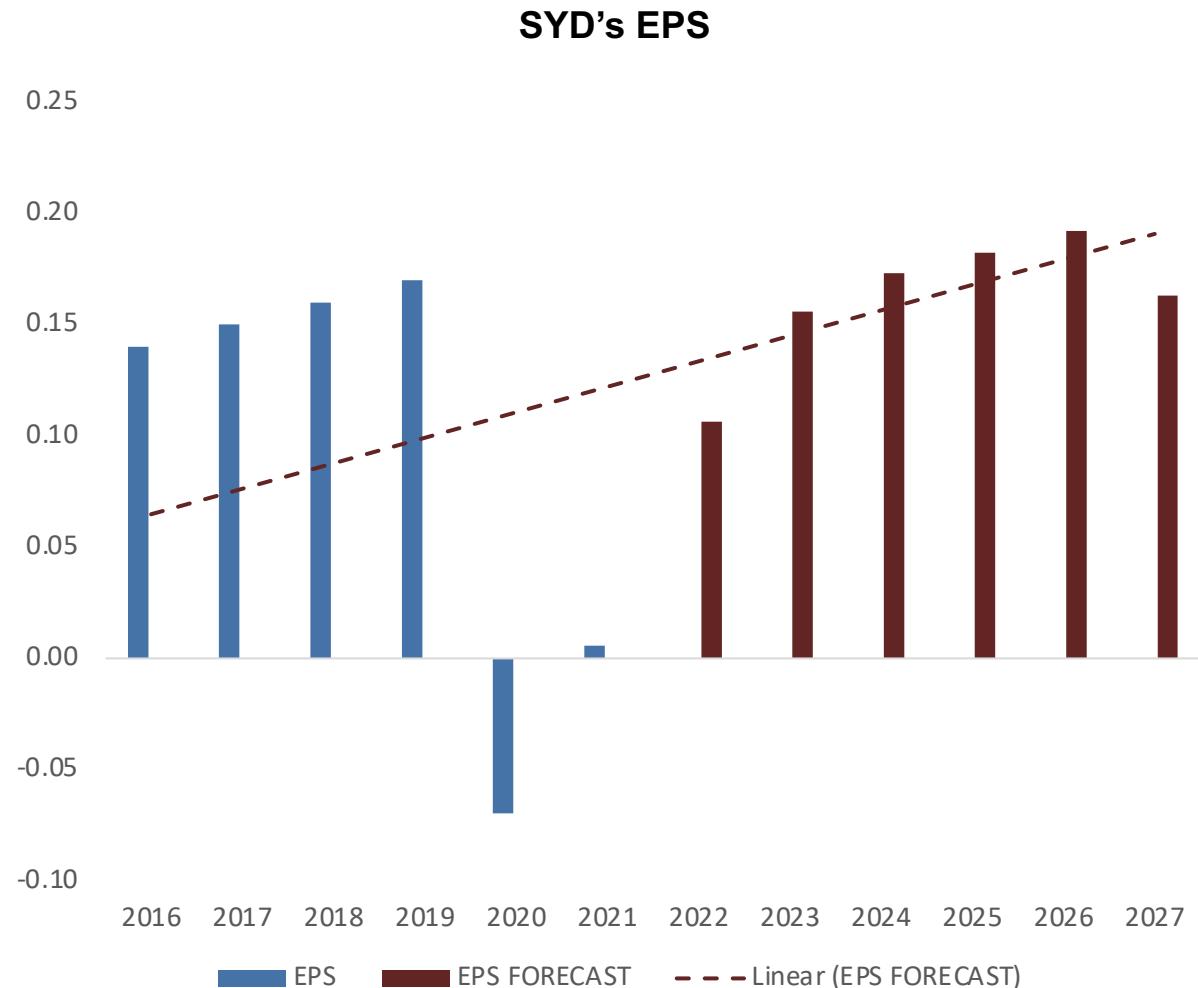
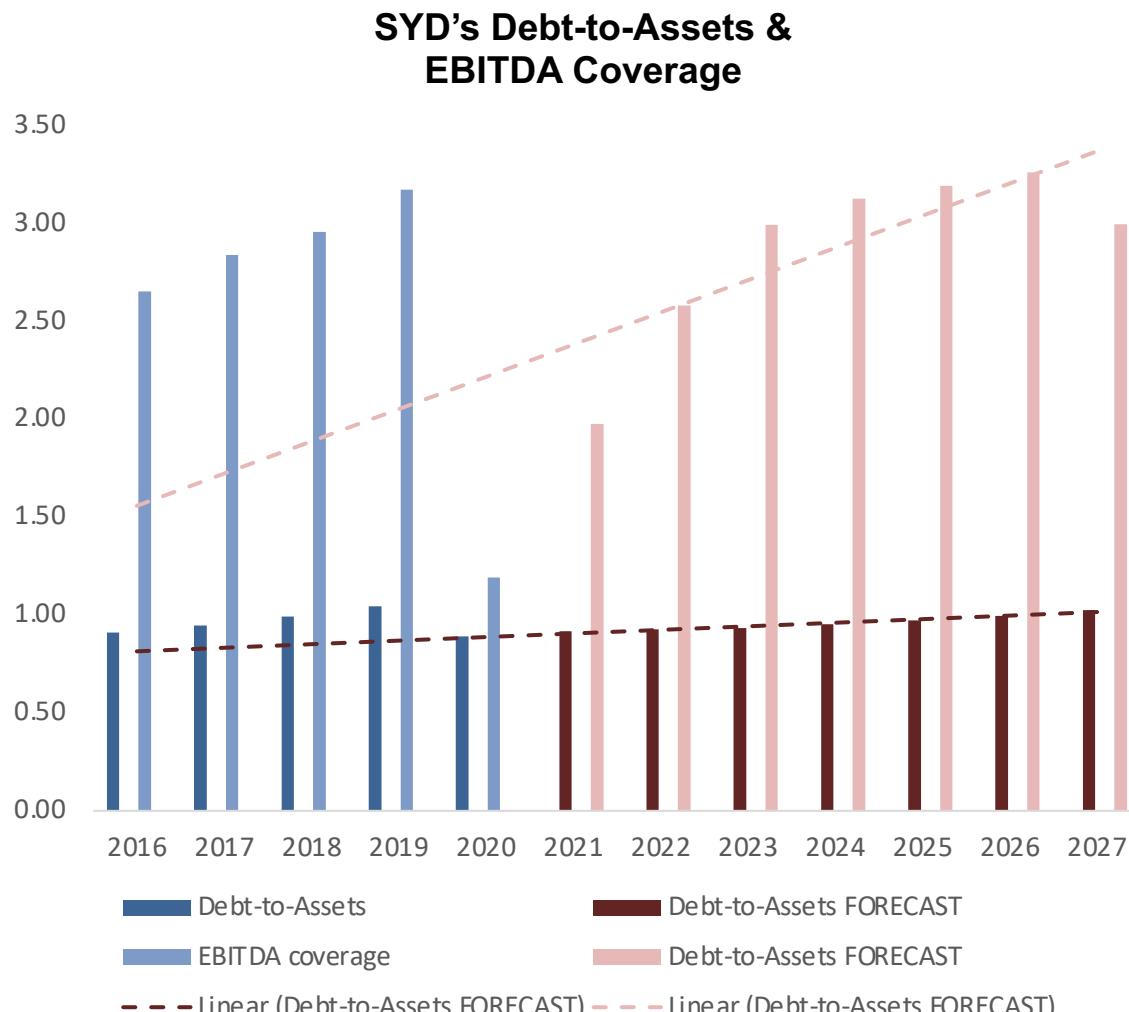


**SYD's EBITDA Margin & Net Margin**





# Appendix 16: Leverage & EPS





## Appendix 17: WACC Cost of Equity

Cost of Equity		
Risk-free Rate	Proxy	Weight
5Y CGS Yield Spot Rate (12/10/20)	0.31%	80%
10Y CGS Yield Spot Rate (12/10/20)	0.85%	20%
Weighted Average	0.42%	100%
Beta		
CAPM Regression (5Y Monthly)	0.91	80%
CAPM Regression (10Y Monthly)	0.74	20%
Weighted Average	0.88	100%
Equity Market Return		
25Y All Ordinaries Average Return	5.48%	100%
Capital Asset Pricing Model (CAPM)		
Risk-free Rate ( $R_f$ )	0.42%	
Beta ( $\beta$ )	0.88	
Market Risk Premium ( $R_m - R_f$ )	5.06%	
Cost of Equity		4.86%



# Appendix 18: WACC Cost of Debt

Cost of Debt						
Original Currency	Debt Instrument	Maturity	Fair Value	Weight	Interest rate	Weighted Interest
AUD	Bilateral facility	Feb-23	\$150.00	1.29%	4.76%	0.0616%
AUD	Syndicated facility	Apr-22	\$565.70	4.88%	3.12%	0.1522%
AUD	Syndicated facility	Apr-23	\$66.90	0.58%	5.60%	0.0323%
AUD	Wrapped domestic bond	Nov-21	\$199.60	1.72%	3.28%	0.0565%
AUD	Wrapped domestic bond	Oct-22	\$746.40	6.44%	3.38%	0.2176%
AUD	Wrapped domestic bond	Oct-27	\$651.50	5.62%	3.38%	0.1899%
AUD	USPP bond	Aug-28	\$99.50	0.86%	4.90%	0.0420%
AUD	USPP bond	Nov-28	\$99.50	0.86%	4.90%	0.0420%
AUD	USPP bond	Nov-28	\$227.10	1.96%	6.04%	0.1183%
AUD	USPP bond	Nov-28	\$71.20	0.61%	5.60%	0.0344%
AUD	USPP bond	Nov-29	\$172.30	1.49%	5.70%	0.0847%
USD	USPP bond	Feb-34	\$81.30	0.70%	4.25%	0.0298%
AUD	USPP bond	Feb-39	\$171.30	1.48%	4.76%	0.0703%
AUD	USPP bond	Feb-44	\$132.20	1.14%	4.85%	0.0553%
AUD	USPP bond	Feb-49	\$136.60	1.18%	4.90%	0.0577%
USD	USPP bond	Jun-35	\$79.90	0.69%	2.83%	0.0195%
EUR	USPP bond	Jun-35	\$79.20	0.68%	1.06%	0.0072%
AUD	USPP bond	Jun-40	\$104.00	0.90%	3.28%	0.0294%
AUD	USPP bond	Jun-40	\$228.70	1.97%	3.28%	0.0647%
AUD	USPP bond	Jun-50	\$128.60	1.11%	3.53%	0.0391%
EUR	Euro bond	Apr-24	\$1,197.40	10.33%	2.75%	0.2840%
EUR	Euro bond	Apr-28	\$821.00	7.08%	1.75%	0.1239%
USD	US144A/RegS bond	Feb-21	\$740.80	6.39%	5.13%	0.3277%
USD	US144A/RegS bond	Mar-23	\$1,251.80	10.80%	3.90%	0.4210%
USD	US144A/RegS bond	Apr-25	\$740.10	6.38%	3.38%	0.2157%
USD	US144A/RegS bond	Apr-26	\$1,414.50	12.20%	3.63%	0.4428%
AUD	CIB	Nov-20	\$783.70	6.76%	3.76%	0.2541%
AUD	CIB	Nov-30	\$455.20	3.93%	3.12%	0.1225%
				\$11,596.00	Weighted average	3.5963%



## Appendix 19: 2020 – 2029 Passenger Number Recovery

**SYD**  
Sydney's Airport

Passenger Recovery and Growth												SYD Master				
Dom Growth Rate							1.00%	1.00%	1.00%	1.00%	-10.78%	1.00%	1.00%	1.00%	1.00%	Plan Pre-COVID
Int Growth rate										3.10%	-10.78%	3.10%	3.10%	3.10%	3.10%	Forecast
Year	2019A	1H - 2020A	2H - 2020E	2020E	2021F	2022F	2023	2024F	2025F	2026F	2027F	2028F	2029F	Assumed	2039F	2039F
<b>Domestic</b>	<b>27,538,404</b>	5,830,998	1,114,597	6,945,595	23,412,740	27,813,788	28,091,926	28,372,845	28,656,574	28,943,139	25,822,183	26,080,405	26,341,209	Long Term	29,097,082	31,400,000
% of Pre-COVID	100.00%			25.2%	85.02%	101.00%	102.01%	103.03%	104.06%	105.10%	93.77%	94.71%	95.65%	Constant	105.66%	114.02%
<b>International</b>	<b>16,890,441</b>	1,150,000	404,662	1,554,662	3,317,075	9,499,478	14,902,408	16,393,718	16,901,923	17,425,882	15,546,839	16,028,791	16,525,683	Growth	22,425,704	31,500,000
% of Pre-COVID	100.00%			9.20%	19.64%	55.99%	88.23%	97.06%	100.07%	103.17%	92.05%	94.90%	97.84%	To Lease	132.77%	186.50%
<b>Total</b>	<b>44,428,845</b>			8,500,257	26,729,816	37,271,106	42,994,335	44,766,564	45,558,497	46,369,023	41,369,023	42,109,197	42,866,893	End	51,522,787	62,900,000
% of Pre-COVID	100.00%			19.13%	60.16%	83.89%	96.77%	100.76%	102.54%	104.37%	93.11%	94.78%	96.48%		115.97%	141.57%
% Dom Pax	61.98%			81.71%	87.59%	74.63%	65.34%	63.38%	62.90%	62.42%	62.42%	61.94%	61.45%		56.47%	49.92%
% Int Pax	38.02%			18.29%	12.41%	25.37%	34.66%	36.62%	37.10%	37.58%	37.58%	38.06%	38.55%		43.53%	50.08%

West Syd Pax	-	5,000,000
Dom Pax	62.42%	- 3,120,956
% Reduction		-10.78%
Int Pax	37.58%	- 1,879,044
% Reduction		-10.78%



# Appendix 20: International Passenger Recovery

International Passenger Breakdown Summary																
	Year	1H 2020A	2H 2020E	2020E	2021F	2022F	2023	2024F	2025F	2026F	2027F	2028F	2029F	2039F		
Predicted Travel Bubble	Canada - BC		-		88,401	130,562	163,202	168,261	173,477	178,855	159,569	164,516	169,616	230,172	SYD Master Plan Pre-COVID 2039 Forecast	
	Hong Kong		-		174,304	1,070,722	1,195,224	1,232,276	1,270,476	1,309,861	1,168,618	1,204,845	1,242,195	1,685,686		
	NZ		173,919		1,936,302	1,996,327	2,058,213	2,122,018	2,187,800	2,255,622	2,012,397	2,074,781	2,139,100	2,902,804		
	Singapore		-		224,167	1,377,028	1,537,148	1,584,800	1,633,928	1,684,580	1,502,931	1,549,522	1,597,557	2,167,919		
Remainder of Key Travel Regions	Asia (ex China)		-		193,078	1,576,807	2,647,933	2,730,019	2,814,650	2,901,904	2,588,990	2,669,248	2,751,995	3,734,516	Constant Growth Through to 2039	
	China		-		291,667	1,791,667	2,000,000	2,062,000	2,125,922	2,191,826	1,955,480	2,016,100	2,078,599	2,820,703		
	Japan		-		-	84,961	521,902	582,588	600,648	619,268	552,492	569,620	587,278	796,948		
	Korea		-		-	63,048	387,297	432,331	445,733	459,551	409,997	422,707	435,811	591,405		
	Europe + Middle East		-		-	335,417	1,772,917	2,300,000	2,371,300	2,444,810	2,181,185	2,248,802	2,318,514	3,146,273		
	Americas		-		-	340,783	1,801,282	2,336,798	2,409,239	2,483,925	2,216,082	2,284,781	2,355,609	3,196,611		
	Pacific		-		119,188	732,157	817,291	842,627	868,748	895,680	799,098	823,870	849,410	1,152,667		
	Misc.		230,742		378,369	-	-	-	-	-	-	-	-	-		
	Total	1,150,000	404,662	1,554,662	3,317,075	9,499,478	14,902,408	16,393,718	16,901,923	17,425,882	15,546,839	16,028,791	16,525,683	22,425,704	31,500,000	



# Appendix 21: Property Growth Rates

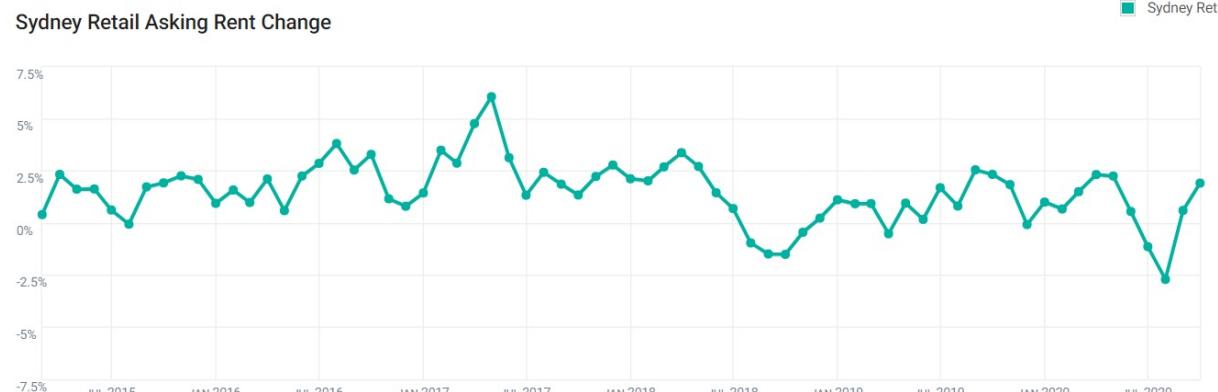
## Retail Property Growth

- Average 5 year, passenger charge adjusted, revenue growth of 8.4%.
- Retail Asking Price Index (API) 5 year average.

## Industrial Property Growth

- Average 5 year revenue growth of 5.4%
- Industrial Asking Price Index (API) 5 year average.

Retail and Industrial Lease Growth Rates				
Growth Rate Source	Retail Growth	Applied Weight	Industrial Growth	Applied Weight
SYD Rev. Growth	8.4%	20%	5.40%	35%
API 5yr Average	4.15%	80%	3.11%	65%
Applied Rate	5.00%	100%	3.91%	100%



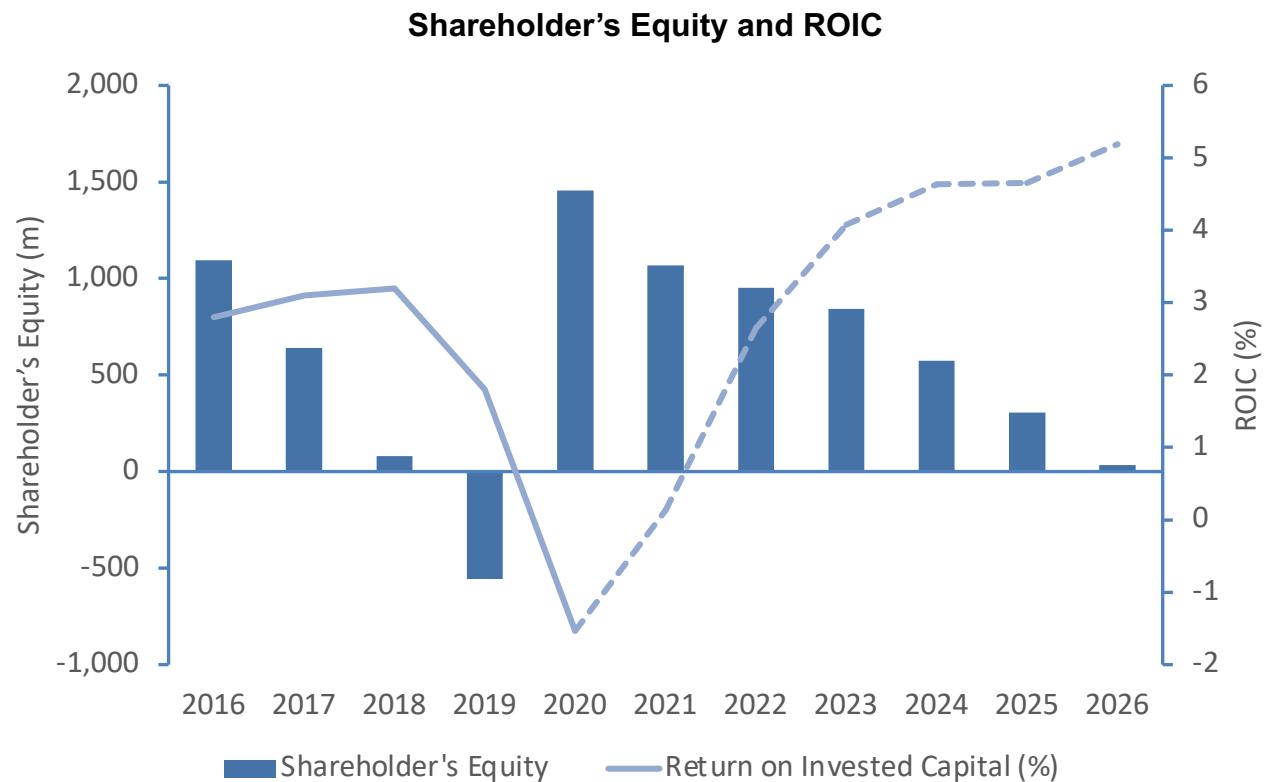


## Appendix 22: Global Fiscal Stimulus

	Gov Spending in Each Country Currency	% of GDP	Main Fiscal Stimulus	
China	4.6 trillion	4.50%	Unemployment insurance	Tax relief
Japan	115.1 trillion	21.20%	Unemployment insurance	Cash handout
Korea	99.8 trillion	5.20%	Unemployment insurance	Cash handout
Singapore	100 billion	26.88%	Wage subsidies	Cash handout
Australia	272.3 billion	14.00%	Wage subsidies	Tax relief
New Zealand	58.5 billion	19.50%	Wage subsidies	Tax relief
US	3 trillion	14.50%	Wage subsidies	Tax relief
UK	210 billion	9.50%	Wage subsidies	Tax relief
EU	2% of each country GDP		Unemployment insurance	



# Appendix 23: ROE and ROIC



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Shareholder's Equity	1093	641	80	-556	1456	1068	950	843	574	304	33
Return on Invested Capital (%)	2.80	3.10	3.20	1.80	-1.53	0.13	2.65	4.08	4.63	4.65	5.19



# Appendix 24: Board of Directors



**Geoff Culbert**

**CEO**

Experience:

- CEO of General Electric (2014 – 2017)
- Current Airport Council International (ACI) World Governing Board member
- General Counsel for General Electric (2002-2014)



**Dhruv Gupta**

**CSO**

Experience:

- MBA
- Director of Fairfax Media (2013 – 2018)
- Associate Director of Macquarie Group (2005 – 2012)



**Greg Botham**

**CFO**

Experience:

- Chartered Accountant
- CFO of Spark Infrastructure (2012 – 2017)
- Previous SYD Manager and Financial Strategic Planner (2003 – 2007)



**Chris Evans**

**Chief Assets and Infrastructure Officer**

Experience:

- General Manager of John Holland (2006 – 2017)



**Vanessa Orth**

**CCO**

Experience:

- Head of Retail for GPT (2015 – 2018)
- Divisional and National Director of GPT Group (2007 – 2012)



**Karen Tompkins**

**General Counsel & Company Secretary**

Experience:

- Legal Counsel for Stockland (2007 – 2016)
- Lawyer for Henry Davis York, Herbert Geer and Minter Ellison (2001 – 2007)



**Hugh Wehby**

**COO**

Experience:

- Previous CFO of SYD (2014 – 2017)
- Manager (Investor Relations) of MAP Airports Limited (2006 – 2011)



**Karen Halbert**

**General Manager**

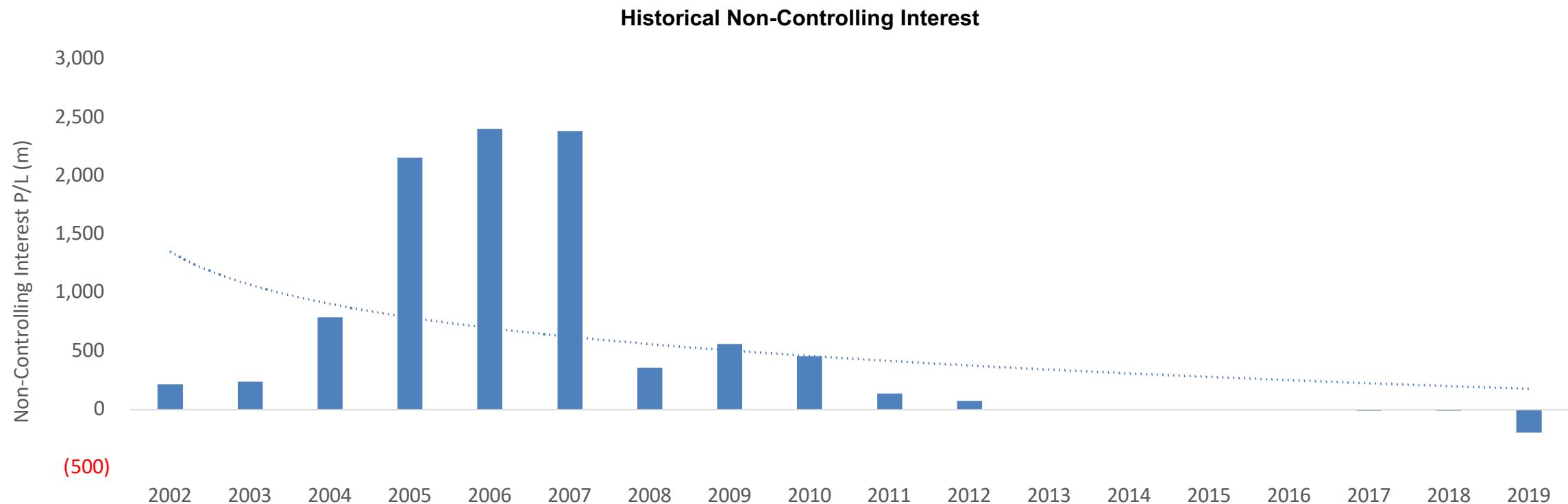
Experience:

- General Manager for Tourism Australia (2013 – 2019)
- Principal Advisor for Rio Tinto (Media Relations) (2010 – 2012)
- Associate Director for Macquarie Group (Corporate Affairs) (2006 – 2010)



# Appendix 25: Non-controlling Interest

Consolidation of 100% of SAT1's assets and liabilities and recognizes as an associated non-controlling interest



## 2019 Loss

- Indemnity provision: \$183.4 million accrued interest on tax, subject of litigation with Danish Tax Agency (DTA).
- MALSA expense: \$4.2 million bill of payment to MALSA in respect of dividend withholding tax



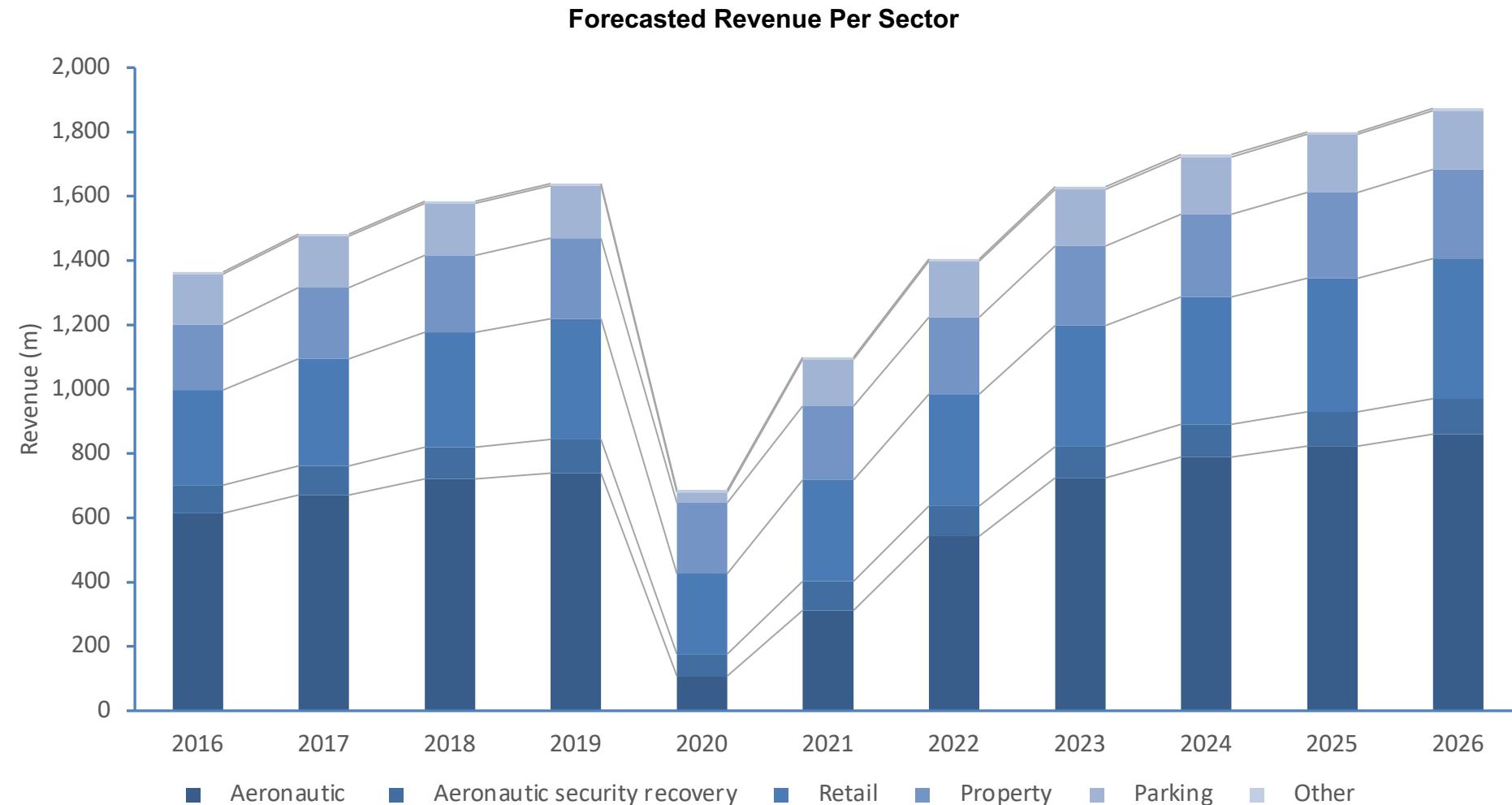
# Appendix 26: Sensitivity Analysis Non-aero Revenues

Sensitivity Analysis of Retail, Parking and Car Rental Growth

		Parking and Car Rental Growth Rate								
		1.90%	2.40%	2.90%	3.40%	3.90%	4.40%	4.90%	5.40%	5.90%
Retail Revenue Growth Rate	3.00%	\$6.40	\$6.48	\$6.55	\$6.62	\$6.70	\$6.78	\$6.86	\$6.95	\$7.03
	3.50%	\$6.47	\$6.54	\$6.61	\$6.69	\$6.76	\$6.84	\$6.92	\$7.01	\$7.10
	4.00%	\$6.53	\$6.60	\$6.68	\$6.75	\$6.83	\$6.91	\$6.99	\$7.07	\$7.16
	4.50%	\$6.60	\$6.67	\$6.74	\$6.82	\$6.89	\$6.97	\$7.05	\$7.14	\$7.23
	5.00%	\$6.66	\$6.73	\$6.81	\$6.88	\$6.96	\$7.04	\$7.12	\$7.21	\$7.29
	5.50%	\$6.73	\$6.80	\$6.87	\$6.95	\$7.03	\$7.11	\$7.19	\$7.27	\$7.36
	6.00%	\$6.80	\$6.87	\$6.94	\$7.02	\$7.10	\$7.18	\$7.26	\$7.34	\$7.43
	6.50%	\$6.87	\$6.94	\$7.01	\$7.09	\$7.17	\$7.25	\$7.33	\$7.41	\$7.50
	7.00%	\$6.94	\$7.01	\$7.09	\$7.16	\$7.24	\$7.32	\$7.40	\$7.48	\$7.57



# Appendix 27: Revenue Growth





# Appendix 28: Financials

Forecasted Financials

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Profitability</b>											
EBITDA Margin (%)	79.60	80.80	80.90	81.50	71.57	76.35	80.64	82.53	82.77	82.66	82.55
Pre-tax Margin (%)	23.50	26.20	27.40	17.50	-45.55	1.39	20.42	29.12	31.28	32.01	32.74
Net Margin (%)	23.40	23.50	23.40	13.10	-27.06	1.39	20.42	25.85	27.05	27.36	27.67
Fixed Asset Turnover	0.41	0.43	0.45	0.46	0.21	0.32	0.41	0.46	0.47	0.49	0.51
Return on Assets (%)	2.60	3.20	3.40	2.20	-2.43	0.12	2.22	3.72	4.35	4.72	5.01
Return on Invested Capital (%)	2.80	3.10	3.20	1.80	-1.53	0.13	2.65	4.08	4.63	4.65	5.19
<b>Liquidity</b>											
Cash ratio	0.11	0.10	0.35	0.28	1.97	1.24	0.71	0.44	0.26	0.34	0.26
Current ratio	0.89	0.60	1.40	0.53	2.05	1.34	0.81	0.53	0.37	0.49	0.37
EBITDA coverage	2.65	2.84	2.96	3.17	1.19	1.98	2.58	2.99	3.13	3.19	3.26
<b>Solvency</b>											
Debt-to-assets	0.91	0.95	0.99	1.04	0.72	0.73	0.72	0.71	0.71	0.73	0.75
Free operating CF to debt (%)	9.68	10.13	9.50	10.39	4.78	9.01	7.05	8.60	11.08	11.17	11.21
<b>Shareholder Indicators</b>											
EPS	0.14	0.15	0.16	0.17	-0.07	0.01	0.11	0.16	0.17	0.18	0.19
EPS Growth (%)	16.67	7.14	6.67	6.25	-140.89	-108.2	1772.7	46.8	11.1	5.3	5.3