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Market release | 6 April 2020

Auckland Airport strengthens its balance sheet with an equity raise of up to NZ\$1.2 billion

Auckland Airport has announced it is conducting an equity raising of up to \$1.2 billion to reinforce its balance sheet and ensure it remains well capitalised during this period of strict border controls and significantly reduced passenger numbers, with the aim of ensuring it is well positioned for a post COVID-19 recovery.

Board Chair Patrick Strange said: “Auckland Airport has moved swiftly to respond to the abrupt changes in the market and our first priority has been to ensure the ongoing safety and security of our operation. The outbreak of COVID-19 has changed travel and trade markets virtually overnight, and like many organisations, our business has been materially impacted. Auckland Airport will have a critical role to play in New Zealand’s long-term recovery, and we need to act now to secure our future.”

Key points:

- **Auckland Airport is undertaking a NZ\$1,000 million fully underwritten placement and a NZ\$200 million share purchase plan**
- **Auckland Airport expects the negative impact from COVID-19 to continue for some time, and is moving to strengthen its balance sheet**
- **Placement proceeds provide Pro Forma Adjusted Liquidity¹ of ~NZ\$1,258 million, which is expected to be sufficient to meet all operating, investing and financing cash flow obligations under a range of recovery scenarios**
- **In conjunction with the equity raising, Auckland Airport has secured significant support from its lenders, including covenant waivers from its banking group and extensions to all bank facilities due to mature before 31 December 2021²**
- **Equity raising and debt amendments are in addition to the already announced measures to manage cash flow, and reduce operating expenditure and capital spend**
- **Auckland Airport’s priority continues to be the safety and wellbeing of its people, travellers, customers and stakeholders, while mitigating the impact of COVID-19 on its operations, with the aim of ensuring that it remains well positioned for a post COVID-19 recovery**
- **Auckland Airport remains committed to completing a number of infrastructure projects focused on essential safety, asset replacement, maintenance and resiliency, including the planned runway pavement replacement**

¹ Pro-forma adjusted as at 31 March 2020. Adjusted for gross proceeds from the Placement and for capital markets debt due to mature before 31 December 2021, totalling NZ\$567 million

² Covenant relief from the banking group is conditional on the equity raising



Key transaction information

Auckland International Airport Limited (NZX/ASX:AIA) ("**Auckland Airport**") is conducting an equity raising of up to NZ\$1,200 million via the issuance of ordinary shares in Auckland Airport, comprising an NZ\$1,000 million fully underwritten placement ("**Placement**") and a NZ\$200 million share purchase plan ("**SPP**").

Chief Executive Adrian Littlewood said Auckland Airport was acting to strengthen its balance sheet and ensure it remains well capitalised during this period of strict border controls and significantly reduced passenger numbers, and to ensure it is strongly positioned for a post COVID-19 recovery.

"The COVID-19 pandemic has had a significant impact on Auckland Airport's operations and will continue to do so under the current border restrictions, and through the subsequent recovery period. Impacts to Auckland Airport's operating environment have been characterised by a substantial decline in international and domestic passenger numbers and a material decline in aeronautical and non-aeronautical revenue.

"Auckland Airport has been serving New Zealand for more than 50 years and we will be here for many more years to come. We provide critical infrastructure to support New Zealand's economic growth and we look forward to making a strong contribution to our nation's long-term recovery. But for now, our focus has to be on the near term. We are wasting no time in taking necessary steps to ensure our organisation remains resilient throughout this crisis and emerges in a strong position once the trading environment improves," said Mr Littlewood.

Proceeds from the Placement will provide Auckland Airport with Pro Forma Adjusted Liquidity of approximately NZ\$1,258 million, including cash on hand plus committed undrawn bank facilities, as at 31 March 2020, of NZ\$340 million and NZ\$485 million, respectively, and adjusted for capital markets debt due to mature before 31 December 2021³. This provides Auckland Airport with sufficient liquidity to respond to a range of recovery scenarios.

Response to COVID-19 pandemic

Auckland Airport has rapidly responded to the current operating environment with a range of initiatives to ensure the safety of its people, travellers, customers, and stakeholders, while addressing the impact of the COVID-19 pandemic on its operations and finances.

The equity raising is in addition to other measures undertaken by Auckland Airport, which include obtaining covenant relief from its banking group through to the end of December 2021 (inclusive), securing extensions to bank facilities due to mature in that period, as well as the previously announced measures including the cancellation of the FY20 interim dividend, suspension or cancellation of certain capital expenditure, and reduction in operating costs. Auckland Airport has also suspended all future dividends while the debt covenant waivers are in place⁴.

"We are acting prudently and allowing for a range of recovery scenarios. We will continue to monitor the situation and adapt our operations as the path forward becomes clearer," said Mr Littlewood.

³ Pro-forma adjusted liquidity as at 31 March 2020. Adjusted for gross proceeds from the Placement and for capital markets debt due to mature before 31 December 2021, totalling NZ\$567 million

⁴ Waivers currently in place until 31 December 2021 (inclusive)



Cash flow management and cost reduction

In response to the COVID-19 pandemic, Auckland Airport has had a sharp focus on cashflow management and cost reduction, while also ensuring business continuity for our employees and the community.

Management has implemented a number of initiatives to reduce Auckland Airport's cost base, including:

- suspended discretionary expenditure;
- reviewed work underway with external consultants;
- reduced number of external contractors supporting the business and capital programme;
- reduced remuneration of board members and executives by 20%⁵;
- reduced the majority of employee pay to 80% and a four day working week⁵;
- suspension of bonuses and short-term incentives for FY20⁵; and
- reduction of operations in line with the new operating environment.

Under the current conditions and while they continue, Auckland Airport is targeting a ~35% reduction on FY19 operating costs, post implementation of the above initiatives.

Suspension or cancellation of capacity driven capital expenditure

Auckland Airport is proud to be New Zealand's main gateway to the world, with more than 21 million passengers passing through the precinct in the 2019 financial year.

Mr Littlewood said the outbreak of COVID-19 had hit just as the organisation was accelerating one of the country's largest private infrastructure investment programmes designed to accommodate projected growth in passenger numbers.

"This has been our team's shared ambition – to deliver the critical aeronautical infrastructure New Zealand needs to support growth in travel, trade and tourism. Over the past 12 months we have made excellent progress, beginning construction on three key anchor infrastructure developments, while other projects such as the Domestic Jet Hub were just about to kick off.

"While our long-term plans remain the same and we still are optimistic about the long term outlook for passenger growth, our near term projections no longer hold true. As incredibly difficult as it is for our team to see progress stall, we have had no choice but to move just as swiftly to suspend or cancel the majority of our infrastructure development programme," Mr Littlewood said.

Capital expenditure projects with an estimated completed project value in excess of NZ\$2 billion have been suspended or cancelled to reduce Auckland Airport's short term funding obligations while allowing the flexibility to recommence key projects in line with changing operational priorities and improving operating conditions.

Auckland Airport expects to incur ~\$275 million⁶ of capital expenditure between April 2020 and 31 December 2021, with the capital program focusing on essential safety, asset replacement, maintenance and resiliency (including the planned runway pavement replacement), in addition to finishing projects sufficiently close to completion.

Ensuring balance sheet strength and bolstering liquidity

In conjunction with its operating response to the COVID-19 pandemic, Auckland Airport is taking decisive action in relation to the capital structure to improve its financial flexibility. Auckland Airport

⁵ For the period to 30 June 2020 and to be reviewed thereafter

⁶ Includes costs associated with suspension and cancellation of capital projects



has secured significant support from its lenders, including an extension of all bank facilities maturing in the period to 31 December 2021 as well as obtaining covenant waivers from its banking group for potential breaches resulting from the adverse operating environment associated with the impact of COVID-19 in that same period.

In addition to the support received to date from its lenders, Auckland Airport will seek covenant waivers through to 31 December 2021 from existing USPP noteholders in the near term, consistent with the approach taken with its banking group. The current gross outstanding balance of Auckland Airport's USPP note programme as at 31 March 2020 is NZ\$702 million, excluding expected derivative gains, if the USPP notes were to be repaid, of NZ\$285 million.

Following the Placement, Auckland Airport will hold Pro Forma Adjusted Liquidity⁷, including cash on hand and committed undrawn bank facilities, of NZ\$1,258 million as at 31 March 2020. This liquidity provides the flexibility for Auckland Airport to respond to a range of recovery scenarios.

Over the period to 31 December 2021, the equity raising, debt renegotiations and operating response announced provides Auckland Airport the ability to:

- cover operating costs and capital expenditure;
- cover one-off costs from the suspension or cancellation of various capex projects; and
- provide flexibility to manage current debt facilities, including capital markets debt due to mature before 31 December 2021, totalling NZ\$567 million (including NZ\$175 million of USPP notes).

Strong underlying business and positioning for a recovery

Despite the current adverse operating conditions, Auckland Airport's fundamental characteristics remain solid as New Zealand's gateway for travel and trade, linking New Zealand to the world and Auckland to New Zealand. Auckland Airport represents critical infrastructure that is supported by a stable regulatory environment, with a diversified revenue and asset base across aeronautical, retail, hotels, parking, and property.

"During this period, we are continuing to maintain the highest standards in airfield safety and security. New Zealand is an island nation, and in modern times we have never been so physically isolated from the world. Our airfield is vital to providing ongoing connectivity to global markets for the safe passage of essential goods, and to help New Zealand exporters get their products to market," said Mr Littlewood.

The actions announced maintain Auckland Airport's flexibility and strong position post a COVID-19 recovery. A focus on cost reduction initiatives, increased financial flexibility and a strong pipeline of aeronautical and non-aeronautical opportunities position Auckland Airport for a return to growth as part of a COVID-19 recovery in New Zealand and globally.

"Our team is doing an amazing job in responding to the outbreak of COVID-19, supporting border agencies and the Ministry of Health, and maintaining our operations so people can get home. I'm extremely proud of the commitment they've shown in really difficult circumstances," said Mr Littlewood.

⁷ Pro-forma adjusted as at 31 March 2020. Adjusted for gross proceeds from the Placement and for capital markets debt due to mature before 31 December 2021, totalling NZ\$567 million



Transaction Summary

Placement

The Placement is fully underwritten and will be conducted today through a bookbuild in which institutional and other select investors in New Zealand, Australia, and other jurisdictions will be invited to participate.

The Placement to raise gross proceeds of NZ\$1,000 million has been underwritten at a floor price of NZ\$4.50 per share, which represents a discount of 10.7% to the last close price of NZ\$5.04 per share on 3 April 2020 and a discount of 12.6% to the 5-day VWAP of NZ\$5.15 prior to today's announcement. A trading halt has been granted by NZX to facilitate the Placement.

Share Purchase Plan

Auckland Airport intends to offer the SPP to eligible existing Auckland Airport shareholders with a registered address in New Zealand and Australia, enabling them to subscribe for up to NZ\$50,000 / A\$47,000 of new Auckland Airport shares. The SPP offer size is NZ\$200 million and the price of these shares will be the lower of the placement share price or a 2.5% discount to the five-day volume weighted average price of Auckland Airport shares traded on the NZX during the last five days of the SPP offer period. If scaling of the SPP is required, it will be done with reference to the shareholders' existing shareholdings at the record date of 3 April 2020.

Auckland Airport considers that the SPP will cater for a high majority of Auckland Airport's non institutional shareholders, enabling them to participate and potentially increase their relative percentage holdings in Auckland Airport.

The final terms of the SPP are expected to be announced in more detail on 9 April 2020. A SPP booklet, together with an application form, will be sent to eligible shareholders on 9 April 2020 and will be available on the website established for the SPP on the same day. The closing date for applications by eligible shareholders is 24 April 2020.

Eligible shareholders wishing to acquire new shares under the SPP will need to complete the application form, or apply online via the website above. Eligible shareholders may choose to take up their entitlements in whole, in part or not at all.

The new shares to be issued under both the Placement and the SPP will rank equally in all respects with Auckland Airport's existing ordinary shares.

Key dates relating to the Placement and SPP are set out in the Appendix to this announcement.

A copy of the investor presentation, corporate action notice and cleansing notice accompany this announcement.

Auckland Airport's New Zealand and Australian legal advisers are Russell McVeagh and King & Wood Mallesons, respectively.

ENDS



This announcement has been authorised for release to NZX and ASX by:

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Appendix – Key Dates for Equity Raising⁸

Placement

Conduct underwritten placement	6 April 2020
Trading halt on NZX and ASX	6 April 2020
Announce completion and resume trading	7 April 2020
Settlement on the ASX	14 April 2020
Settlement on the NZX	15 April 2020
Allotment and trading of shares on the NZX and ASX	15 April 2020

Share Purchase Plan

SPP Record Date	3 April 2020
SPP Opens	9 April 2020
SPP Closes	24 April 2020
Settlement on the ASX	30 April 2020
Settlement on the NZX	1 May 2020
Allotment of shares on NZX and ASX	1 May 2020
Commencement of trading of shares on the NZX	1 May 2020
Commencement of trading of shares on the ASX	4 May 2020

⁸ The timetable presented is indicative only and is subject to change without notice (subject to applicable laws and NZX Listing Rules and ASX Listing Rules). All dates and times are New Zealand times (unless stated otherwise).