

# Investing in Regional Infrastructure

NICOLE DAWSON | AMP CAPITAL INFRASTRUCTURE

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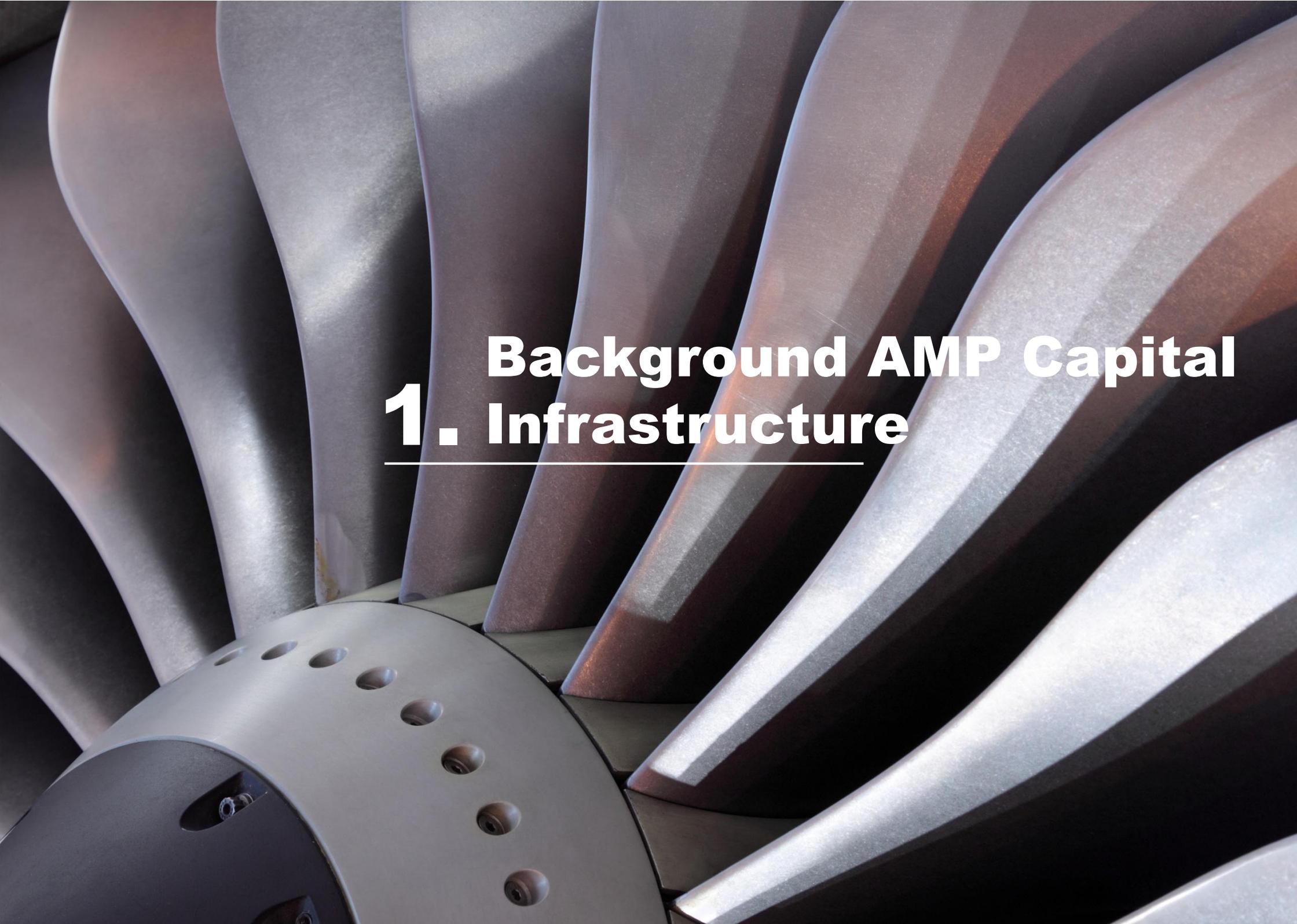
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## Content

1. Background AMP Capital
2. How we make investment decisions
3. Investing in regional infrastructure
4. Investing in the Sunshine Coast Region

The background of the slide is a close-up photograph of industrial machinery. It features several large, curved, metallic blades or vanes that are part of a larger assembly. The blades are arranged in a radial pattern, and their surfaces are highly reflective, showing highlights and shadows. In the lower-left foreground, there is a circular component with a series of small, evenly spaced holes or perforations. The overall lighting is dramatic, with strong highlights and deep shadows, giving the scene a sense of depth and industrial scale.

# **Background AMP Capital**

## **1. Infrastructure**

# AMP CAPITAL

THE INVESTMENT ARM OF AMP



## AMP Limited

- > A leading wealth management company
- > One of the largest pension providers in Australia (1 in 6 Australian adults are AMP customers)
- > High quality financial advice, competitive products in superannuation, general insurance and banking



## AMP Capital

- > **Investment arm** of AMP since 1849
- > Manages investments in **infrastructure**, property, debt, equities and fixed income
- > AMP Capital is a **pioneer** in infrastructure
- > **Trusted partner** with clients and the community

# AMP CAPITAL INFRASTRUCTURE

## EXAMPLES FROM OUR CURRENT INVESTMENT PORTFOLIO

|                                 | <br>TRANSPORT   | <br>ENERGY/ UTILITIES   | <br>SOCIAL  |
|---------------------------------|--|---|--|
| Regional<br>Australia<br>& NZ   | <ul style="list-style-type: none"> <li>&gt; Launceston Airport</li> <li>&gt; Flinders Ports (x6 regional SA ports)</li> <li>&gt; Peninsula Link</li> </ul>   | <ul style="list-style-type: none"> <li>&gt; Riverland Water</li> <li>&gt; Power Co (Regional NZ)</li> </ul>   | <ul style="list-style-type: none"> <li>&gt; SA Schools</li> <li>&gt; <b>Southeast Queensland Schools *</b></li> <li>&gt; VIC Schools</li> <li>&gt; Fulham Correctional Centre</li> </ul>   |
| Metro<br>Australia<br>& NZ      | <ul style="list-style-type: none"> <li>&gt; Melbourne Airport</li> <li>&gt; Inter Link Roads / Sydney M5 Motorway</li> <li>&gt; Reliance Rail</li> <li>&gt; Flinders Ports (Port of Adelaide)</li> </ul> | <ul style="list-style-type: none"> <li>&gt; Aqua Tower</li> </ul>   | <ul style="list-style-type: none"> <li>&gt; Royal North Shore Hospital</li> <li>&gt; Sydney University Village</li> <li>&gt; Southbank Institute</li> <li>&gt; Darwin Convention Centre</li> <li>&gt; NZ Hospital Car Parks</li> </ul> |
| Global<br>(Regional<br>& Metro) | <ul style="list-style-type: none"> <li>&gt; Alpha Trains</li> <li>&gt; Newcastle Airport</li> <li>&gt; Angel Trains</li> </ul>   | <ul style="list-style-type: none"> <li>&gt; Thames Water</li> <li>&gt; Tower Com</li> <li>&gt; Energia Wind Farms</li> <li>&gt; Capistrano Wind Partners</li> </ul> |  |

**(\*) AMPC Infrastructure Investment in the Sunshine Coast Region ~\$100M**

A row of oval-shaped mirrors, likely part of a decorative wall or a display, is shown. Each mirror reflects a different perspective of a beach scene, including sand, water, and buildings in the distance. The mirrors are arranged in a slightly curved line, creating a sense of depth and repetition. The background is a clear blue sky.

## **How do we make our 2. investment decisions?**

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# DECISION MAKING CONSIDERATIONS

## PORTFOLIO CONSTRUCTION - BALANCING RISK / RETURN OPTIONS

AMP Capital considers a number of risk and return dimensions when making investment decisions. These include:

### > Geography

- Example: Developed markets / Emerging markets

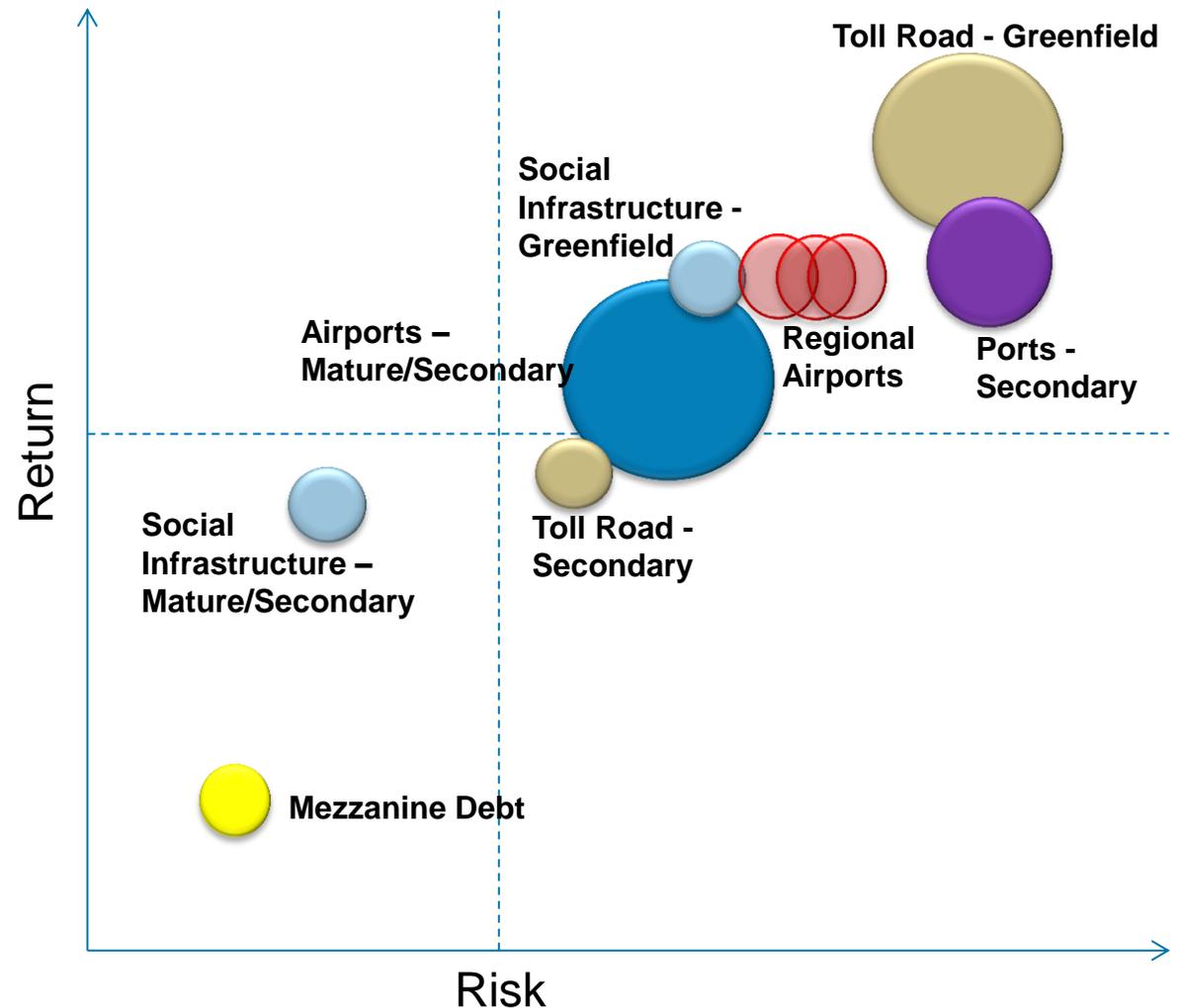
### > Sectoral

- Example: Airports / Ports / Social infrastructure

### > Asset Life Cycle

- Example: Greenfield / Brownfield Ramp up / Mature

## Illustrative Portfolio



# DECISION MAKING CONSIDERATIONS

## OTHER CHARACTERISTICS OF OUR INVESTMENT DECISIONS

- > We take large direct positions in assets
- > For economic infrastructure we generally look at the investment size and position for ~ >\$100M / Social infrastructure positions can be a lot smaller
- > We look for at least a 25% shareholding or Governance that provides negative control
- > We look for long term investment opportunities

A row of oval-shaped mirrors, likely part of a decorative wall or a modern architectural feature, is shown. Each mirror reflects a different perspective of a coastal scene, featuring buildings, a beach, and a clear blue sky. The mirrors are arranged in a slightly curved line, creating a sense of depth and repetition. The overall aesthetic is clean and modern.

**Investing in**  
**3 ■ regional infrastructure**

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# GEOGRAPHIC PERSPECTIVE

## OPPORTUNITIES AND RISKS

| Geographic Exposure                    | Opportunity and Risk       |   | Sunshine Coast  |
|--|----------------------------|---|---|
|  | Generic                    | Specific  |   |
| Regional Market                        | Economic performance       | > GRP growth  |    |
|  | Demographic profiles       | > Population growth   |    |
|  |                            | > GRP / capita  |   |
|  | Political elements         | > Long term vision  |  |
| > Delivery capability                  |                            |   |   |
| Complementary investment in the region | > Upgrading infrastructure |  |   |

**Overall, AMP Capital considers the Sunshine Coast a good region in which to invest and could be a good match to AMP Capital's capabilities.**

**AMP Capital is an experienced investor in regional infrastructure. We:**

- > Attract and invest capital to develop regional infrastructure
- > Invest across a number of asset classes within a region
- > Structure investments and work cooperatively with local Councils
- > Help develop the assets (and the region) to their full potential through active asset management
- > Share in the delivery of the vision for the region through long term positions

# INDUSTRY SECTOR PERSPECTIVE

## OPPORTUNITIES AND RISKS

| Sectoral Exposure | Opportunity and Risk |   | Sunshine Coast  |
|-------------------|----------------------|---|---|
|                   | Generic              | Specific  |   |
| Regional Airports | Demand               | <ul style="list-style-type: none"> <li>&gt; Diverse correlations</li> <li>&gt; Technology to access new growth</li> <li>&gt; Scale &amp; diversity</li> </ul> |    |
|                   | Competition          | <ul style="list-style-type: none"> <li>&gt; Other airports</li> <li>&gt; Captured Market</li> </ul>   |  |
|                   | Supplier power       | <ul style="list-style-type: none"> <li>&gt; Airlines</li> </ul>   |  |

Overall, AMP Capital considers Regional Airports a good sector in which to invest and a good match to AMP Capital's capabilities.

**AMP Capital is an experienced investor in airports. We:**

- Leverage synergies across the portfolio
  - Share best practise insights
  - Participate on industry associations
  - Share our substantial knowledge library of research, submissions, data
  - Leverage resources and contacts to facilitate connectivity
- > Take positions as a non conflicted investor within the region to ensure we are aggressive advocates for growth

# ASSET LIFE CYCLE PERSPECTIVE

## RISKS AND OPPORTUNITIES

### Example: Sunshine Coast Airport

| Asset Life-Cycle | Opportunity and Risk |                             | Sunshine Coast  |
|------------------|----------------------|-----------------------------|---|
|                  | Generic              | Specific                    |   |
| Brownfield Asset | Construction         | > Design                    |    |
|                  |                      | > Procurement               |    |
|                  | Demand               | > Domestic Traffic          |    |
|                  |                      | > International Traffic     |  |
|                  | Revenue              | > Airline Landing Charges   |  |
|                  |                      | > Non Aeronautical Revenues |  |

**Sunshine Coast Airport could be an attractive investment opportunity for AMP Capital, a consequence of the unique fit to AMP Capital's capabilities**

**AMP Capital is an experienced asset manager. We:**

- > Leverage our expertise:
  - Airline relationships and contacts
  - Airline business case development
  - Airline pricing and negotiations
  - Across retail optimisation
  - And across other commercial revenue opportunities / property development
- > Leverage our unique centralised expertise in property construction and procurement to help manage large construction projects

# SUCCESSFUL REGIONAL INVESTMENT

## CASE STUDY - NEWCASTLE INTERNATIONAL AIRPORT (UK)

### > Overview

- Regional airport in UK (10th busiest)
- 49% owned by AMP Capital / 51% by a consortium of the region's seven local authorities
- JV structure allows the Council block to retain majority ownership
- Council is able to participate in future equity upside whilst preserving flexibility to undertake a future sell-down

### > Successful Achievements and Highlights

- Redevelopment of the terminal expected to be completed in August 2015 on budget and timetable
- Revenue has increased by over 10%
- EBITDA increased by over 20% since initial investment



# REGIONAL INFRASTRUCTURE

## CONTRIBUTING TO THE REGIONAL ECONOMY AND COMMUNITY

**Private sector investment in regional infrastructure can help Councils accelerate the delivery of the vision and the delivery of significant community benefits**

### Tourism

- > Sunshine Coast Airport expansion could add ~\$8.5b incremental tourism spend over 20 years<sup>1</sup>
- > Support recent and future investments (Maroochydhore City Centre, University Expansion, University Hospital, Sunshine Coast Plaza Redevelopment)



### Employment

- > Drives tourism related employment across the region
- > Drives direct employment associated with new assets
- > Drives incremental employment from construction



### Regional Amenities

- > Upgrade of infrastructure, helps build the region  
Example: vibrant new tourism products
- > Direct flights to destinations / cheaper
- > Strengthen the Council's financial position - keeping rates and taxes down



1 – AMPC analysis based on internal modelling assumptions

A row of oval-shaped mirrors, likely part of a public art installation, is shown against a clear blue sky. Each mirror reflects a different perspective of a beach scene, including sand, waves, and buildings in the distance. The mirrors are arranged in a slightly curved line, creating a sense of depth and repetition.

# **Investing in the 4. Sunshine Coast Region**

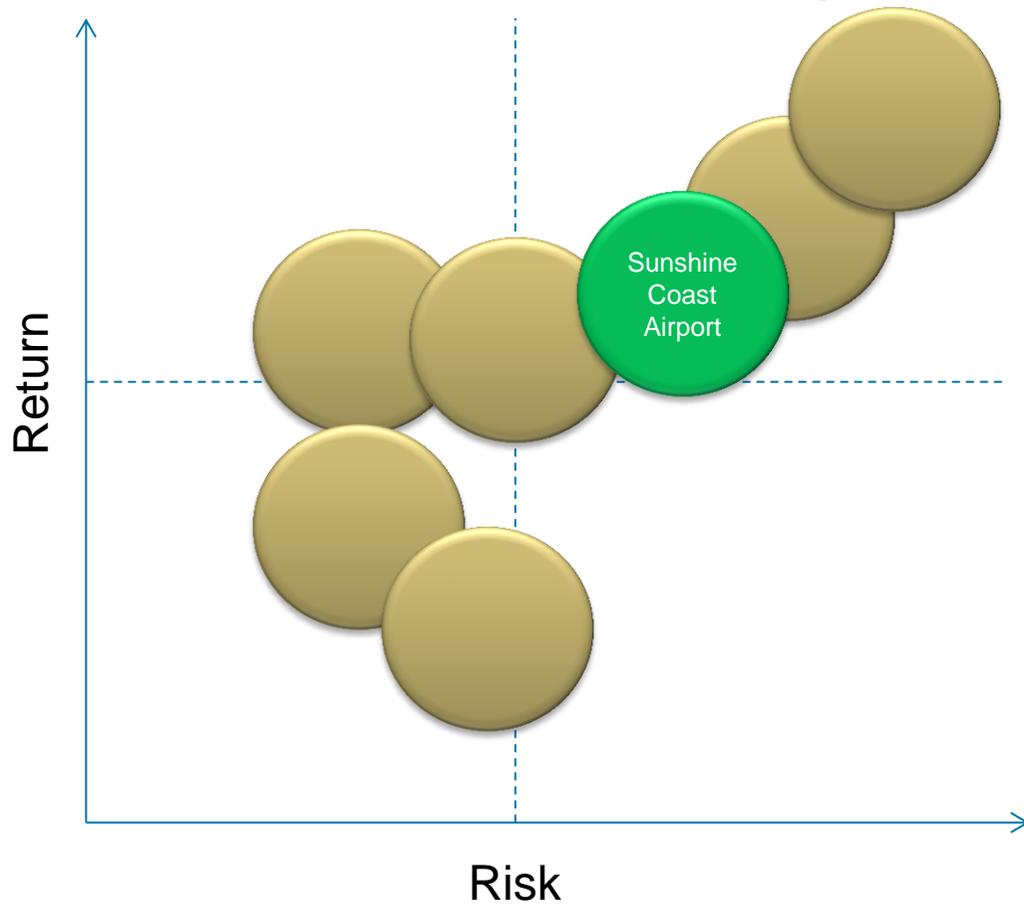
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# SUNSHINE COAST

## INVESTING IN THE SUNSHINE COAST REGION

### Illustrative Portfolio

#### Sunshine Coast Investment Pipeline



**Sunshine Coast Airport could be an attractive investment opportunity for AMP Capital**

**..... As soon as there is process certainty**

Reasons why:

- > Delivery capability
- > Aligned long term vision
- > Strong investment in the region
- > Alignment with AMP Capital expertise/capabilities
- > Portfolio fit

# SUNSHINE COAST

## INVESTING IN THE SUNSHINE COAST REGION

### **AMP Capital is excited to contribute to the Sunshine Coast Community:**

- > Attract and invest capital to develop regional infrastructure
- > Bring best practice to operation of regional infrastructure leveraging AMP Capital's experience
- > Work with Council as a trusted and aligned partner
- > Accelerate the community benefits including tourism, employment and the broader regional amenity



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