

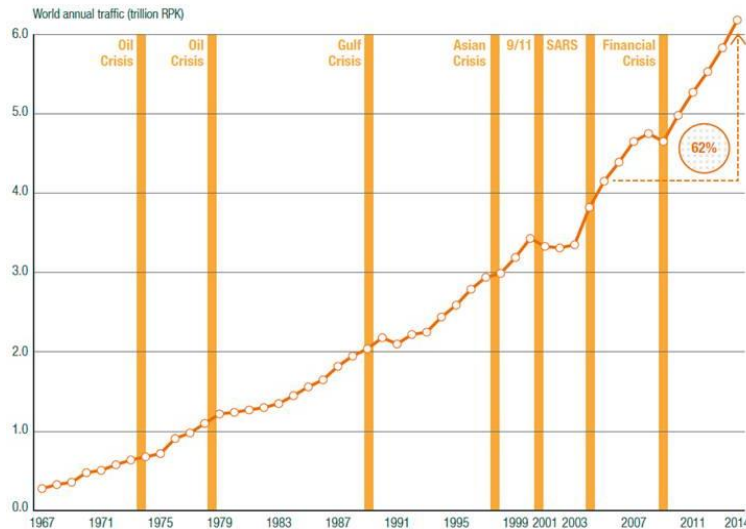


# Resilience of Airports

Since the development of commercial aviation during the post-World War II era, passenger volumes at major commercial airports has grown at multiples of GDP over any medium-term period. This growth reflects many underlying factors including increasing wealth, real reductions in the cost of air travel, developments in aircraft technology and improvements in international airspace regulation.

Global passenger growth is illustrated in Chart 1 below, showing the fairly consistent growth of airline passenger volumes since the mid-1960's and more recently, this measure has grown by 62% over the last 10 years<sup>1</sup>. More importantly, the chart illustrates the resilience of air travel to external shocks and the speed of the recovery to a long term upward trajectory.

**Chart 1:** Air travel has proved to be resilient to external shocks.



Source: ICAO, Airbus, GMF 2015. RPK = Revenue Passenger Kilometer

High quality airports benefit from a near monopoly stream of passengers from which they are able to generate both aeronautical and commercial revenues. Regulation is structured to allow the aeronautical operations (including passenger, landing and ancillary fees) to earn returns in line with the cost of capital, whilst there are typically no restrictions placed on the returns that can be generated from non-aeronautical operations, such as retail, parking and commercial property.

Airports form a core part of MFGAM's definition of infrastructure and have, over time, delivered robust financial performance and generated healthy returns for investors. We believe that airports remain a global growth sector and offer an attractive balance of regulated and competitive earnings potential.

<sup>1</sup> Airbus, 2015

## Stock example: Aeroports de Paris (ADP)

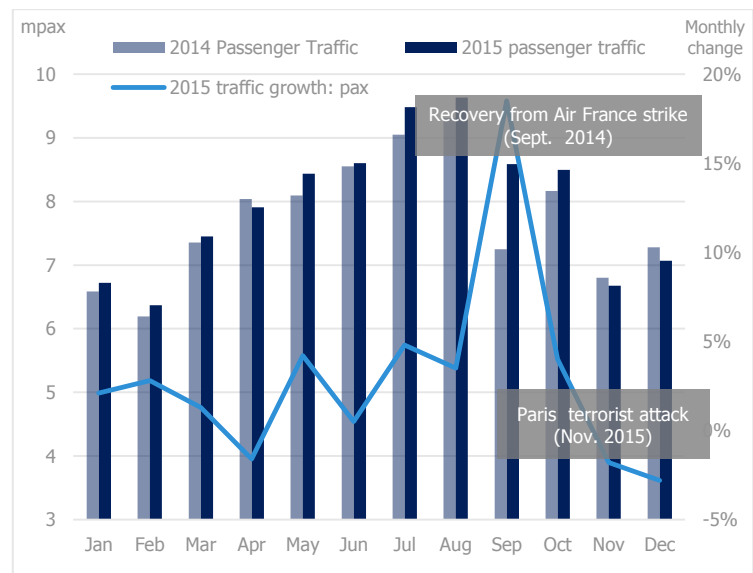


ADP is the owner and operator of the Paris airport system. This includes both the Charles de Gaulle and Orly Airports. In 2014 these airports handled 92.7 million passengers, making it the second largest system in Europe after London.

### Key points:

- Passenger traffic at the Paris airports was up 3.0% over 2015
- This was despite the shock of Paris seeing its second terrorist attack in November
- Chart 2 below shows the very material impact of the terror attacks in November 2015 (with drops of around 4% of traffic for November and December)
- However, by January 2016 passenger traffic had recovered back to 0.9%, with Air France and ADP both reporting that volumes are back to usual
- This is a clear demonstration of the resilience of airports and the ability to bounce back from short-term passenger shocks

**Chart 2:** Monthly change in ADP traffic.



Source: Aeroports de Paris



### Stock example: Sydney Airport (SYD)

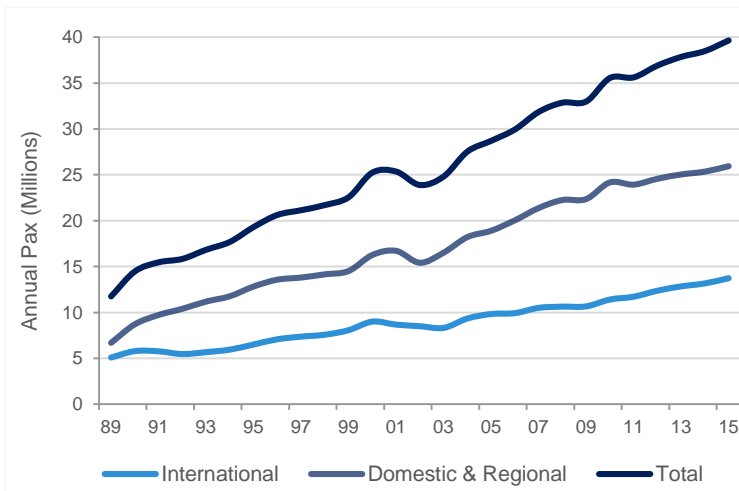


SYD is owner and operator of the Sydney domestic and international airport. In 2015 SYD handled approximately 40 million passengers. The long term resilience is equally evident with SYD as illustrated in Chart 3 below.

#### Key points:

- The notable external shock within the Australian context was the collapse of Ansett Australian in 2001. Ansett was Australia’s second largest domestic airline.
- The rising middle class, particularly in Asia has been contributing to strong passenger growth

Chart 3: Resilient growth across all economic cycles.



Source: Sydney Airport

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