

SEABURY

Valuation Discussion

Stansted Airport

7 April, 2011

Valuation Considerations

- Market for airports of all types almost disappeared with the credit crunch as buyers retreated
 - High returns were achievable only with “excess” leverage
 - Significant cyclicity of leisure traffic became evident
 - Listed infrastructure fund business model collapsed, e.g. Babcock & Brown
- Activity in the sector has returned (Liverpool, Gatwick) but prices are likely to be below previous highs
 - Uncertainty about timing and scale of recovery
 - High oil price and consumer issues continue to overhang low-cost carrier (“LCC”) market
 - Debt available but lower quanta and worse terms
 - Assumed exit multiples for infrastructure funds lower
- Gatwick offers the best comparison

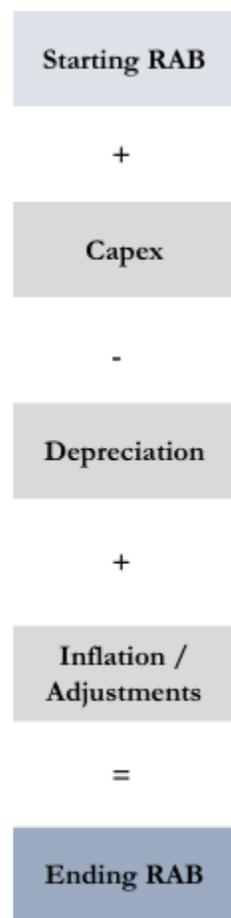
Stansted Airport Limited: Statutory Financial Information

£m	2008	2009	2010	Mean
Revenue	£258.8	£243.0	£229.6	£243.8
EBITDA	117.4	102.4	86.2	102.0
<i>Margin</i>	45%	42%	38%	
EBIT	84.3	63.8	45.9	
<i>Margin</i>	33%	26%	20%	
PBT	53.0	42.8	20.6	
Net profit	40.0	40.7	13.8	
<i>Margin</i>	15%	17%	6%	
RAB	£1,231.1	£1,291.0	£1,327.3	£1,283.1

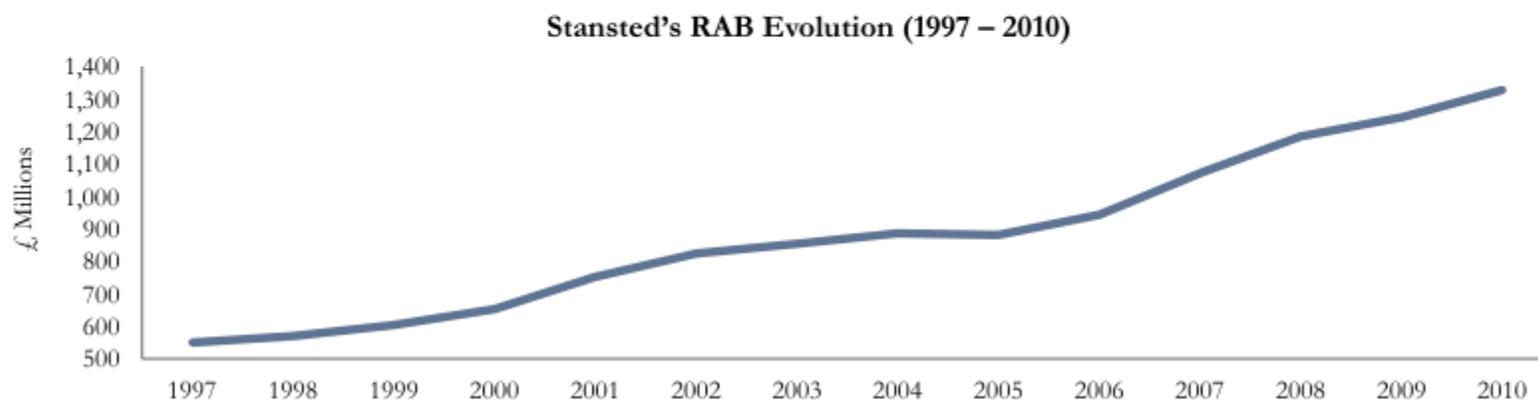
Note: Numbers adjusted to exclude exceptional items

Source: Stansted Financials

Regulated Asset Base (“RAB”)



- The “Regulated Asset Base is a common tool for regulating returns in the UK’s utility and infrastructure sectors where an owner has a monopoly or quasi-monopoly position.
- The RAB represents the accumulated cost of the assets used by the business, net of depreciation. It is used as the base amount against which charges can be made to ensure an agreed rate of return on investment for the owner.
- For UK regulated airports, the RAB is determined and reviewed every five years by the Competition Commission and the Civil Aviation Authority. Maximum charges are then set by the regulators.
- The RAB is a proxy for the enterprise value of regulated assets
 - Charges are set to provide a return on capital equal to an assumed weighted average cost of capital
 - Includes all airport operational assets: runways, terminals, shops, car parks, cargo, maintenance etc.
- Stansted’s RAB stood at £1,327 million as of December 2011



Source: Stansted Financials

Trading Comparables Analysis

- Most airport companies are either privately-held or government owned. The universe of publicly-traded comparable companies is limited.
- The two major quoted companies, Aéroports de Paris and Fraport, are slow growth airports because they have few Low Cost Carriers
- The Comparable companies analysis concludes that the universe of peers are valued at **11.7x EV / 2010A EBITDA**

Trading Comparables - Airport

Comparable Company Analysis

(in EURO millions except for per share data)

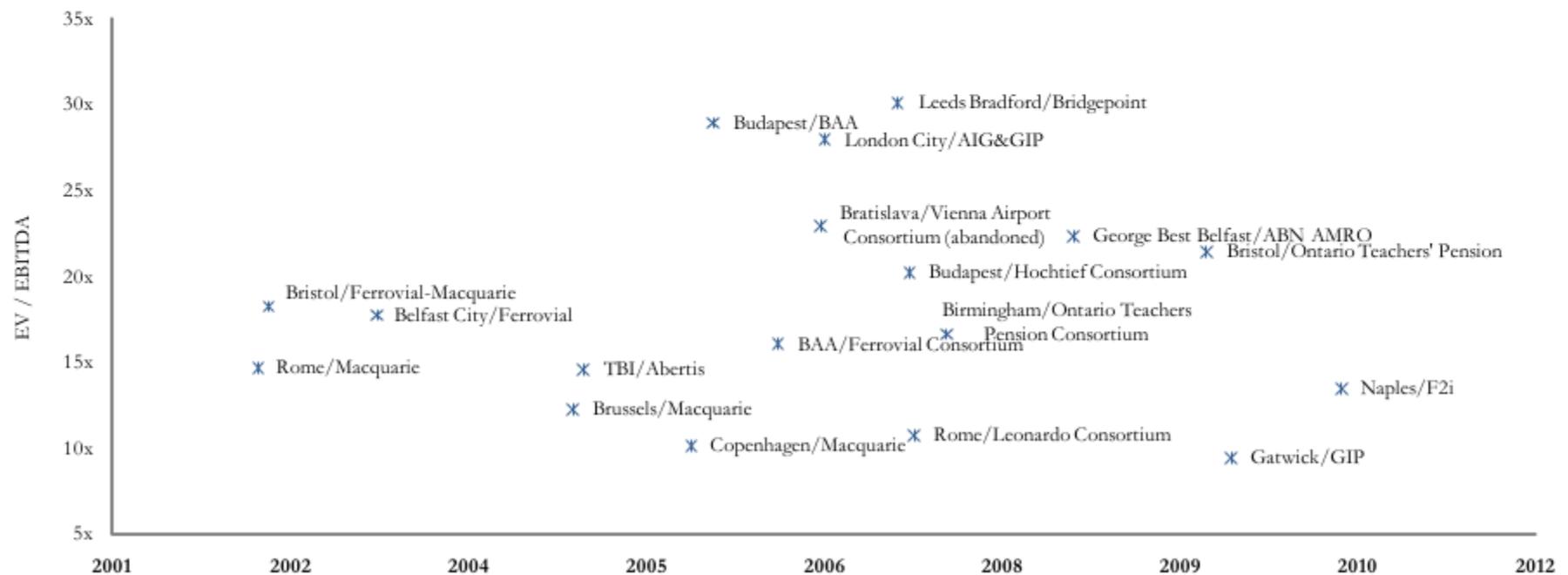
Trading Comparables

Company Name	Market Capitalisation	Enterprise Value	EV / Sales			EV / EBITDA			EV / EBIT		
			CY2010A	CY2011E	CY2012E	CY2010A	CY2011E	CY2012E	CY2010A	CY2011E	CY2012E
Aéroports de Paris	€ 6,394	€ 8,761	3.2x	3.1x	2.9x	9.5x	9.0x	8.4x	16.1x	15.3x	14.2x
Fraport AG	€ 5,002	€ 7,619	3.3x	3.3x	3.0x	10.7x	9.4x	8.3x	17.7x	15.1x	13.4x
Shanghai International Airport Co., Ltd.	€ 2,859	€ 2,991	6.6x	6.6x	6.0x	13.0x	12.2x	10.8x	21.1x	18.9x	15.9x
Beijing Capital International Airport Co. Ltd.	€ 1,757	€ 3,703	6.2x	5.6x	5.1x	11.7x	10.2x	8.9x	24.1x	18.9x	15.9x
Auckland International Airport Ltd.	€ 1,661	€ 2,245	10.7x	10.0x	9.4x	13.9x	13.1x	12.3x	17.2x	16.0x	14.8x
Mean			6.0x	5.7x	5.3x	11.7x	10.8x	9.7x	19.3x	16.8x	14.8x
Median			6.2x	5.6x	5.1x	11.7x	10.2x	8.9x	17.7x	16.0x	14.8x

Source: Capital IQ, news run, broker reports.

Precedent Transactions Analysis

- Financial details on many precedent transactions are not publicly disclosed – the only listed company which has been the subject of a transaction is BAA
- Valuation multiples from Precedent Transactions Analysis greatly vary, depending mainly on the growth profile of the target airport
- Most targets have either been regional airports with very high growth from LCCs or capital city airports with a high LCC component; most are unregulated whereas listed companies are usually regulated



Source: Capital IQ, news run, broker reports.

Selected Transactions – BAA/Ferrovial

Sale of Gatwick Airport

Transaction Overview

- BAA sold Gatwick in October 2009 for £1.5bn to Global Infrastructure Partners
- Unusually for a regulated asset, Gatwick was valued at a discount (5%) to its RAB, equating to a 2008 EV/EBITDA of 9.5x

	RAB (2008)	EBITDA (2008)	Discount to RAB	EBITDA Multiple	Value
Gatwick	£1,578m	£159m	5%	9.5x	£1.5bn

Development to-date

- Shareholders who have later bought stakes in the airport include: Abu Dhabi Investment Authority, National Pension Service of Korea, California state fund Calpers and Future Fund of Australia, leaving GIP with 42%
- In June 2010 the airport's owners announced a £1bn investment and development programme over the next two years
- In 2011 Gatwick launched two £300m bonds and a new £620m debt facility to refinance its acquisition debt raised in 2009
- In March the five new owners have announced a payment of £330m special dividend to themselves, 15 months after the acquisition

Sale of Belfast City Airport

Transaction Overview

- In September 2008 Ferrovial sold Belfast City Airport to a subsidiary of ABN AMRO Global Infrastructure Fund for a consideration of £133m, valuing the asset at 22.4x EV/LTM EBITDA
- Belfast City Airport was serving more than two million passengers a year at the time of the transaction, thanks to the rapid growth from LCCs
- The Belfast sale was part of Ferrovial's strategy to focus on its BAA airport business

Sale of Budapest Airport

Transaction Overview

- In June 2007 BAA sold its non-core Budapest Airport to a consortium led by German Hochtief AirPort for £1.3bn, valuing the asset at 20.3x EV/LTM EBITDA
- The sale came 18 months after BAA acquired the airport in a government privatisation, valuing the asset at the same price
- Budapest airport has attracted high offers due to its potential for high future traffic growth supported by the growth of LCCs, the largely unexploited property and retail opportunities, and its big reserves of both runway and terminal capacity
- Post the transaction Hochtief initiated a €261m five-year investment programme for the expansion and development of the airport

Valuation Summary

- Using EBITDA multiple and discount to RAB methods, our preliminary valuation range of Stansted is between **£750m and £1.2bn**
- For the full valuation of Stansted we would prepare a detailed financial model with a long term (10+ years) traffic forecast and detailed cost structure
 - This is a valuation methodology commonly used in private treaty deals
 - It is to be done once both sides are engaged in the transaction and more detailed financials are obtained from BAA
 - The preparation of a long term traffic forecast would further demonstrate the buyer's credibility to Ferrovial/BAA

(£ in millions)

Stansted Financial Metrics		Parameters		Resulting Valuation		
RAB	Metric	Discount				
FY 2008A	1,231	10%	20%	£1,108	£985	
FY 2010A	1,327	10%	20%	£1,195	£1,062	
FY08-10 Avg.	1,283	10%	20%	£1,155	£1,027	
				Min	£1,108	£985
				Max	£1,195	£1,062
EBITDA	Metric	EV / EBIT				
FY 2008A	117	8.5x	9.5x	£998	£1,115	
FY 2010A	86	8.5x	9.5x	£733	£819	
FY08-10 Avg.	102	8.5x	9.5x	£867	£969	
				Min	£733	£819
				Max	£998	£1,115

Purchase Price Ratio Analysis

- The table below summarises the various valuation multiples at different price levels

(£ in millions)

Enterprise Value	£850.0	£900.0	£950.0	£1,000.0	£1,050.0	£1,100.0	£1,150.0
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<u>RAB Discount</u>	<u>Metric</u>							
FY 2008A	1,231.1	(31%)	(27%)	(23%)	(19%)	(15%)	(11%)	(7%)
FY 2010A	1,327.3	(36%)	(32%)	(28%)	(25%)	(21%)	(17%)	(13%)
FY08-10 Avg.	1,283.1	(34%)	(30%)	(26%)	(22%)	(18%)	(14%)	(10%)

<u>Enterprise Value / EBITDA</u>	<u>Metric</u>							
FY 2008A	117.4	7.2x	7.7x	8.1x	8.5x	8.9x	9.4x	9.8x
FY 2010A	86.2	9.9x	10.4x	11.0x	11.6x	12.2x	12.8x	13.3x
FY08-10 Avg.	102.0	8.3x	8.8x	9.3x	9.8x	10.3x	10.8x	11.3x