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## Sydney Airport

### Industrials

#### HOLD

**SYD A\$6.04**
**TARGET PRICE A\$5.85**

Sydney Airport (SYD) owns and operates an airport in Sydney, Australia. SYD provides aeronautical, retail, property, car rental and parking and ground transport services through their two main business units which are Aviation (Sydney Airport) and Leasing & Advertising Opportunities.

#### Company Data

Number of shares	2,698.7 M
Market Capitalisation	\$16,003.3M
Free float (%)	99.0
12-month high/low	\$7.99/\$4.58
Average Daily Turnover (\$m)	30.09
% S&P/ASX200	0.84%
DDM Ranking	277
% All Ordinaries	0.72%
GICS Industry Group	Transportation

Source: FactSet, Barclay Pearce Capital

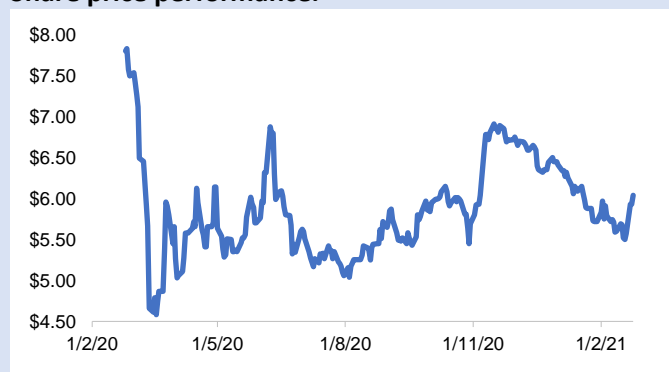
#### Earnings Summary (AUD)

Year end December	2020A	2021F	2022F	2023F
Revenue (\$M)	803.7	880.3	1,466.1	1,751.9
EBITDA (\$M)	627.8	622.5	1,162.0	1,364.0
Reported NPAT (\$M)	-145.6	-88.8	302.9	448.3
Adjusted NPAT (\$M)	-107.5	-76.0	317.1	469.4
Reported EPS (c)	-6.0	-2.0	11.1	15.9
Adjusted EPS (c - FD)	-4.5	-1.9	11.1	16.6
Adjusted EPS growth (%)	-125.6	-80.6	-673.7	49.7
Adjusted P/E (x)	-133.0	-306.8	53.5	35.7
Dividend (c/sh)	0.0	5.9	26.4	35.1
Gross yield (%)	0.0	0.9	4.2	5.6
Net yield (%)	0.0	0.9	4.2	5.6
ROIC (%)	-1.2	-0.6	3.2	6.2

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

#### Share price performance.



Source: FactSet, Barclay Pearce Capital

## Half Year Accounts Press Release

On 24<sup>th</sup> February, Sydney Airport (SYD) released their results for the full year ended 31 December 2020 with the following highlights:

- Traffic fell by 74.7% on the prior corresponding period (pcp) to 11.2 million passengers for the year;
- Total passengers in 1Q 2020 were 9.0 million, down 18.0% on the pcp;
- Total passengers in 2Q to 4Q were 2.2 million, down 93.4% on the pcp;
- International passengers declined by 77.5% and domestic by 72.9% on the pcp;
- Full year loss after income tax expense of \$107.5 million, down 150% on the pcp;
- Earnings before interest, tax, depreciation, and amortisation (EBITDA) of \$627.8 million, down 45% on the pcp;
- Net operating receipts (NOR) of \$45.5 million, down 95.0% on the pcp;
- Targeted cost savings delivered with operating costs for the year down 32.3%;
- Capital investment reduced to \$237.52 million for the year, with \$152.8 million invested in the first half and \$84.7 million in the second half;
- Strong balance sheet with \$3.5 billion of liquidity as at 31 December 2020; and
- No distribution for 2020.

SYD CEO, Geoff Culbert said, *"The COVID-19 pandemic delivered a crisis of unprecedented magnitude to the global aviation industry, and Sydney Airport has been right on the frontline, both operationally and financially. As difficult as the crisis has been, I'm proud of the way we kept the airport open as an essential service and protected the business and everyone who works across the airport precinct. We moved quickly to control the things that were in our control and put ourselves in a position to manage the unpredictability and volatility that became our 'new normal'. The actions we took, combined with the COVID-19 vaccines rolling out, mean we have laid the foundation for our recovery through 2021 and beyond."*

#### Outlook

- Given the uncertainty that remains with respect to the recovery in 2021, no distribution guidance will be provided at this point in time. The Boards will update the market on the outlook for future distributions as more clarity emerges around the timing and strength of recovery from the COVID-19 pandemic.
- Sydney Airport Chief Executive Officer, Geoff Culbert said, *"The recovery won't be linear, but our experience shows that when restrictions are eased and borders come down, people are keen to travel. With the vaccine rolling out, we are cautiously optimistic that 2021 will see the industry begin to recover. We take great confidence from our financial and operational response to COVID-19, which puts us in a strong position to manage through to the recovery and make the most of it when it arrives."*

## Earnings changes

For H1 FY21, SYD reported a net loss of \$107 million. The market was expecting a loss of \$238.4 million, however due to the uncertainty of the pandemic recovery internationally, it is unclear whether future earnings surprises can continue. Hence, we expect positive earnings revisions of 5% for future periods.

## Valuation

We are initiating on SYD with a price target of \$5.85 and a HOLD recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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**Hold** – Describes stocks that are neither a buy nor underperform.

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**NR** – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

**Speculative Buy** – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

**Free Float (float / current shares outstanding) \*100** – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

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### Valuation Methodology

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Buy	40.2%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	( 100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	( 0.0% of stocks with recommendations are Barclay Pearce clients)